

CITY OF BELDING, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
and
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**CITY OF BELDING, MICHIGAN
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

PREPARED BY
City Manager's Office

CITY MANAGER
Randall DeBruine

PRINCIPAL OFFICIALS

CITY OF BELDING, MICHIGAN

CITY COUNCIL

Shane Husted, Mayor

Rogers Wills, Mayor Pro-Tem

Rachel Satterlee

Richard Stout

Jon Bunce

CITY MANAGER

Randall DeBruine

FINANCE DIRECTOR/TREASURER

CITY CLERK

POLICE CHIEF

FIRE CHIEF

DIRECTOR OF PUBLIC WORKS

CITY ASSESSOR

DIAL-A-RIDE DIRECTOR

LIBRARIAN

Samuel N. Andres

Kareen J. Thomas

Dale E. Nelson

Gregg A. Moore

Ernest S. Thomas

David W. Pohl

Suzanne J. Christensen

Toni L. Jagger

CITY OF BELDING

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City of
Belding
MICHIGAN

120 S. Pleasant Street • Belding, Michigan 48809
Phone (616) 794-1900 • Fax (616) 794-0091

September 24, 2008

To the Honorable Mayor, Members of the City Council and the Citizens of the City of Belding, Michigan:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Belding for the fiscal year ended June 30, 2008.

This report consists of management's representations concerning the finances of the City of Belding. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Belding has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Belding's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Belding's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Belding's financial statements have been audited by Vredevelde Haefner LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Belding for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the City of Belding's financial statements for the fiscal year ended June 30, 2008. The financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Belding's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1857, is located in West Michigan about twenty-five miles northeast of Grand Rapids, Michigan. The City currently has a land area of 4.85 square miles and a population of 5,877 based on 2000 census data. The City is empowered to levy a property tax on both real and personal property located within its boundaries up to a state and charter mandated twenty mills without voter approval.

The City operates under the council-manager form of government. Policy making and legislative authority are vested in the governing council, which consists of a mayor and a four-member council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for

appointing the heads of City departments. The council is elected on a non-partisan basis. Council members are elected to four-year staggered terms with three council members elected one year and two elected two years later. The council members elect the mayor to a two-year term.

The City provides a full range of municipal services for the public's health, safety, welfare and quality of life. These services include general administration, police protection, fire protection, planning and zoning, water and wastewater services, construction and maintenance of streets and other infrastructure, building and code enforcement, cemetery operations, park operations and maintenance, library, and a demand-response transportation system.

In addition to general City activities, the Tax Increment Finance Authority (TIFA), Local Development Finance Authority (LDFA) and Downtown Development Authority (DDA) are included in the City reporting entity as component units. There was no financial activity in the LDFA for the year, thus it is not included in the financial statements. Component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Belding Housing Commission has been excluded from the City's financial statement because the City does not exercise significant oversight over this entity. This entity can independently generate revenue, adopt budgets, enter into contracts, and borrow funds.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager on or before the first week in February of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review during the second council meeting in March. The council is required to hold a public hearing on the proposed budget and to adopt a final budget during the second meeting in May. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the City Council. Budget-to-actual comparisons are provided in this report for the general fund and all special revenue funds for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy The overall local economy remains in relatively decent shape, although the unemployment rate remains a concern. The unemployment rate in Ionia County for June 2008 was among the top 25% reported in the State of Michigan. Many of the local manufacturers have reduced employment during the last few years in order to compensate for the loss of business. The impact of the closing of Electrolux Home Products and Tower Automotive six miles to the North in the City of Greenville also remains a concern for the local economy as 2,800 jobs have been eliminated between the two closures.

Since the start of the recession in the first quarter of 2001, economic growth has also been weak in Michigan. State revenues have been off, leading to a mounting budget crisis that required cuts in State government spending and reductions to revenue sharing with local governments.

However, the economic condition and outlook for the City of Belding should remain favorable, as stability and modest growth hopefully will continue. The manufacturing base is well diversified and comprised of several smaller companies. The largest employer is Extruded Metals with approximately 225 employees.

The proximity to Grand Rapids also is a benefit as Belding is gradually increasing in residential growth due to the appeal of small town living while being within easy access of services and employment that only metropolitan areas offer.

The 2008 advalorem assessment roll totals \$112,133,300, which is a decrease of \$3,151,500 or (2.7%) from the 2007 assessed value of \$115,284,800. This is greater than last year's decrease of (0.8%). The assessed value represents 50% of market value and is the basis for measuring uniformity of assessments. With the passage of Proposal A in the State of Michigan in 1994, the taxable value now serves as the basis for determining property tax revenues. The 2008 taxable value increased \$502,327 or 0.5%, from \$97,176,983 to \$97,679,310, which is less than last year's 3.0% increase.

Long-term financial planning The City recently completed a downtown marketing plan to provide a strategic plan for a revitalization of the downtown area. Implementation of this plan has commenced with the re-paving of the covered village mall parking lot and will be an ongoing effort for many years.

The City is in the process of updating its Master Plan.

The enhancement of the M44 corridor with sidewalks and lighting will be completed in 2009. The costs are expected to be around \$1,050,000 of which \$650,000 will be funded with a grant from Michigan Department of Transportation.

The Belrockton continues improvements as construction wraps up on significant upgrades and renovations. A long term plan is being followed for this building.

Cash management policies and practices The City has a cash management system designed to invest temporarily idle funds in obligations of the United States Government, certificates of deposit from banks, municipal investment pools, and other securities as permitted by state law and the City's investment policy. The maturities of investments generally range from one to three years, although some federal agency securities and negotiable certificate of deposits have longer maturities.

Risk Management The Michigan Municipal Liability and Property Pool provides insurance coverage for property, liability, auto, and crime, as well as for workers' compensation. The City's health care coverage is provided through Priority Health, the vision insurance is provided by VSP, and the City is self insured for dental claims. Standard Insurance is the provider for life and disability insurance for City employees.

Pension and other post employment benefits The City provides pension benefits for all full-time employees through a defined contribution plan administered by the International City Managers Association Retirement Corporation (ICMA RC), except for the police officers, which are under a defined benefit plan administered by the Michigan Employment Retirement System (MERS). Under the defined contribution plan, the City contributes 9% of the employee's base annual compensation.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Belding for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the eighth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire administrative staff and other City departments that contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in cursive script, reading "Randall S. DeBruine".

Randall S. DeBruine
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Belding
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



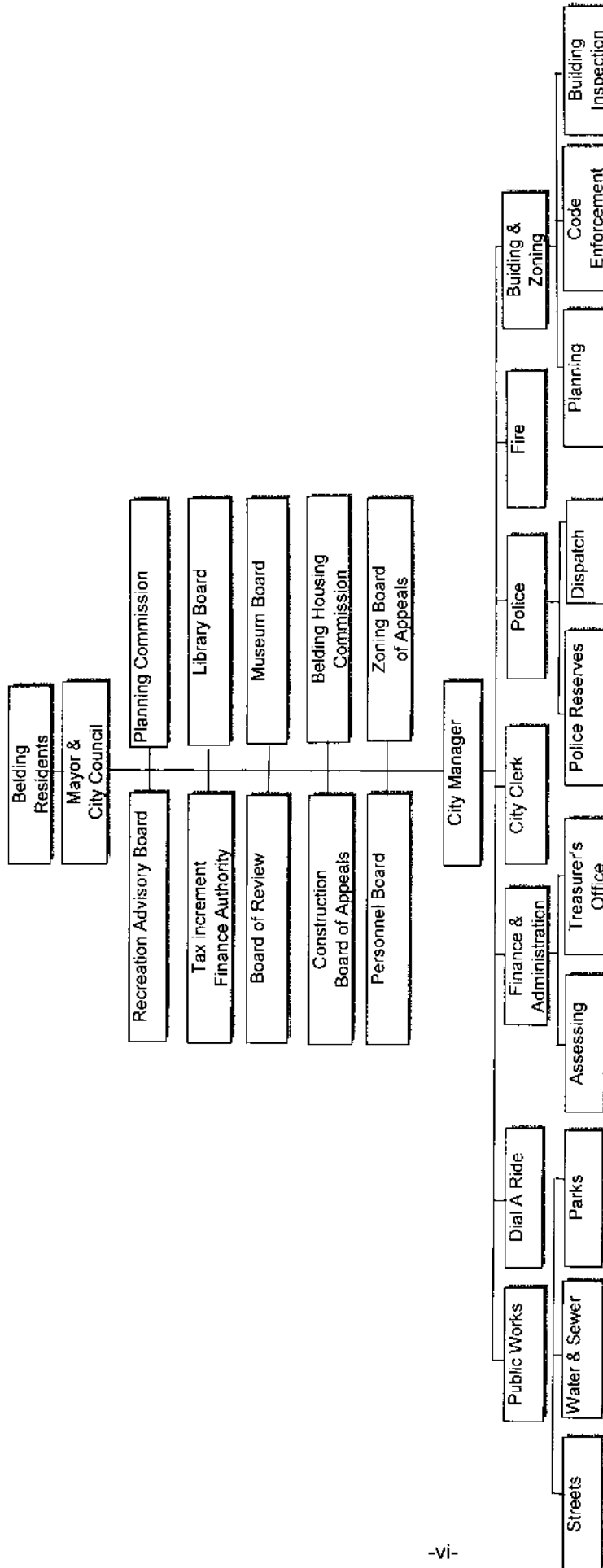
Chloe S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF BELDING ORGANIZATIONAL CHART





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INDEPENDENT AUDITORS' REPORT

August 20, 2008

Honorable Mayor and Members of the City Council
City of Belding, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Belding, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Belding, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information for the City of Belding, Michigan as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 20, 2008, on our consideration of the City of Belding's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belding's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*, and is also not a required part of the basic financial statements of the City of Belding. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Donald Haefner LLC

Management's Discussion and Analysis

As management of the City of Belding (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2007-08 Fiscal Year as follows:

- \$1.4 million dollars in federal funding provided through the State of Michigan and \$220,000 S-2 grant funds were utilized to fund Water Street Lift Station, Water Street Forcemain project, Four Sewer Lift Stations, and Sewer Replacement and Repair projects.
- Library Expansion completed in 2008 with the total cost of the project being \$3,465,527.
- Bridge and Ellis Streets were milled and resurfaced at a cost of \$415,369, with an MDOT grant paying \$375,000 of the cost.
- Several local streets were milled and resurfaced at a cost of \$494,298, with an MDOT grant paying \$375,000 of the cost and a Local Jobs grant from the State paying another \$93,750 of the cost.
- Federal and state funding was utilized to purchase one new bus for the Dial-a-Ride program.
- Silk City Nature Trail was completed for \$267,244, with a DNR grant paying \$166,000 of the cost.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works and streets, and culture and recreation. The business-type activities of the City include Dial-a-Ride, Sewer, Water, and Ambulance service which was discontinued in April, 2008.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Tax Increment Finance Authority (TIFA) and Downtown Development Authority (DDA) for which the City is financially accountable. The DDA was formed in 2006 and 2008 is the second year for which financial activity is reported. Information for these component units is reported separately from the financial information presented for the primary government itself.

Fund financial statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the following four major funds: the General Fund, and the Capital Improvements and Library Improvements Capital Project Funds. Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and all special revenue funds. A budgetary comparison statement has been provided for the budgeted funds to demonstrate legal compliance.

Proprietary funds The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Dial-a-Ride, Sewer, Water, and Ambulance operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its supplies and professional fees, buildings, fleet of vehicles, and insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Water, and Ambulance operations, all of which are considered to be major funds of the City. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resource of those funds is not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This is limited to this discussion and analysis, combining statements and schedules, statistical information and single audit information.

Government-wide Financial Analysis

Statement of Net Assets As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$21,194,496 at the close of the most recent fiscal year. The following chart illustrates the composition of net assets.

City of Belding's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 3,140,586	\$ 2,925,692	\$ 171,002	\$ (345,393)	\$ 3,311,588	\$ 2,580,299
Capital assets	13,143,043	11,365,889	12,905,998	9,417,724	26,049,041	20,783,613
Total assets	16,283,629	14,291,581	13,077,000	9,072,331	29,360,629	23,363,912
Liabilities						
Current liabilities	258,914	495,837	250,897	168,980	509,811	664,817
Long-term liabilities	4,352,555	3,134,939	3,303,767	966,586	7,656,322	4,101,525
Total liabilities	4,611,469	3,630,776	3,554,664	1,135,566	8,166,133	4,766,342
Net assets						
Invested in capital assets, net of related debt	8,896,436	8,380,630	9,609,839	8,491,981	18,506,275	16,872,611
Restricted	1,537,935	1,197,065	-	-	1,537,935	1,197,065
Unrestricted	1,237,789	1,083,110	(87,503)	(555,216)	1,150,286	527,894
Total net assets	\$11,672,160	\$10,660,805	\$9,522,336	\$7,936,765	\$21,194,496	\$18,597,570

By far the largest portion of the City's net assets in the amount of 87% reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets in the amount of 7% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets in the amount of \$1,150,286, or 6%, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its governmental-type activities. Business-type activities reported negative unrestricted net assets at year end.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2008, was \$8,581,337. The total cost of all programs and services was \$5,984,411. This results in a net asset increase at the end of the fiscal year of \$2,596,926. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008.

City of Belding's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for services	\$ 578,521	\$ 597,447	\$1,992,733	\$1,749,640	\$2,571,254	\$2,347,087
Operating grants and contributions	653,699	621,255	173,865	127,415	827,564	748,670
Capital grants and contributions	1,023,333	1,052,905	1,519,403	246,698	2,542,736	1,299,603
General revenues						
Property taxes	1,870,946	1,803,492	-	-	1,870,946	1,803,492
State shared revenues	711,397	710,668	-	-	711,397	710,668
Investment earnings	52,529	64,325	4,910	6,867	57,439	71,192
Total revenues	4,890,425	4,850,092	3,690,911	2,130,620	8,581,336	6,980,712
Expenses						
General government	759,326	950,345	-	-	759,326	950,345
Public safety	1,502,208	1,534,902	-	-	1,502,208	1,534,902
Public works and streets	672,633	472,115	-	-	672,633	472,115
Culture and recreation	565,991	765,700	-	-	565,991	765,700
Interest on long-term debt	158,912	85,649	-	-	158,912	85,649
Dial-A-Ride	-	-	347,111	285,061	347,111	285,061
Sewer	-	-	699,833	603,563	699,833	603,563
Water	-	-	750,886	796,600	750,886	796,600
Ambulance	-	-	527,510	530,122	527,510	530,122
Total expenses	3,659,070	3,808,711	2,325,340	2,215,346	5,984,410	6,024,057
Increase (decrease) before transfers	1,231,355	1,041,381	1,365,571	(84,726)	2,596,926	956,655
Transfers in (out)	(220,000)	(50,000)	220,000	50,000	-	-
Increase (decrease) in net assets	1,011,355	991,381	1,585,571	(34,726)	2,596,926	956,655
Net assets -- beginning	10,660,805	9,669,424	7,936,765	7,971,491	18,597,570	17,640,915
Net assets -- ending	\$11,672,160	\$10,660,805	\$9,522,336	\$7,936,765	\$21,194,496	\$18,597,570

Government Activities The preceding table shows that the governmental activities increased the City's net assets by \$1,011,355 during this fiscal year, accounting for approximately 39% of the total growth in net assets. This increase was mostly the result of federal financial assistance received for street projects.

Business-type Activities Business-type activities increased the City's net assets by \$1,585,571, or approximately 61% of the total growth in the City's net assets.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,491,641, an increase of \$364,198 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the entire fund balance of the General Fund of \$858,012 was unreserved and undesignated. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 39% of total General Fund expenditures.

The fund balance of the General Fund increased by \$584 during the current fiscal year. The change in fund balance is highly dependent on the level of transfers to other funds provided by the General Fund.

Proprietary funds The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Sewer and Water Funds provide service to most residents and businesses of the City. Both funds received federal financial assistance during the year to assist with the costs of street construction projects.

The Ambulance fund operating loss was primarily the result of fewer medical transfer runs and related revenues during the year. Ambulance services were discontinued by the City in April 2008 when they were contracted to a private company.

General Fund Budgetary Highlights

Differences between the General Fund original and final amended budgets were primarily the result of higher property tax revenue than initially projected and increased police department costs.

Capital Asset and Debt Administration

Capital Assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$26,049,041 (net of accumulated depreciation). Of this amount, \$13,143,043 was for its governmental activities and \$12,905,998 was for its business-type activities. This investment in capital assets includes land, buildings and equipment, vehicles and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Construction of lift stations and forcemains.
- Completion of the library expansion and renovation.

Additional information on the City's capital assets can be found in note 7 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$7,542,766. Of this amount, \$5,241,607 comprised of debt backed by the full faith and credit of the government, \$2,291,159 represents bonds secured solely by specified revenue sources (i.e., water and sewer revenue bonds), and \$1,185,000 relates to component unit debt (TIFA).

The City's total debt increased by approximately \$3,000,000 during the current fiscal year, due to the issuance of capital improvement bonds of \$995,000, revenue bonds of \$1,530,416, and Building Authority Bonds of \$1,393,419 for library renovation and construction, offset by the scheduled bond payments made throughout the year. The City's bond rating with Standard & Poor's is a BBB+.

The City debt limit, as defined by statute, is ten percent (10%) of state equalized property values, which currently equals \$11,200,570. Total City long-term debt subject to this limit is \$5,730,000 (including \$1,185,000 of component unit debt) at June 30, 2008.

Additional information on the City's long-term debt can be found in note 9 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the City's budget for the 2008/09 fiscal year:

- Flat performance of the State of Michigan's economy will likely result in stagnant or additional decreases in state funding.
- Wage increases as identified in employment agreements.
- The City's unemployment rate is higher than the state's average unemployment rate due in part to the struggling manufacturing base in the State of Michigan and especially in Ionia and Montcalm counties with the closing of Electrolux.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the city's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director/Treasurer, 120 S. Pleasant Street, Belding, Michigan 48809.

CITY OF BELDING
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Component Units	
	Governmental		Total	Tax Increment Finance Authority	Downtown Development Authority
	Activities	Business-Type Activities			
Assets					
Cash and pooled investments	\$ 2,228,555	\$ -	\$ 2,228,555	\$ 166,109	\$ 23,617
Investments	33,500	-	33,500	-	-
Accounts receivable	86,508	503,042	589,550	-	-
Prepaid items	55,368	438	55,806	-	-
Due from other governments	212,899	29,277	242,176	-	-
Internal balances	523,756	(523,756)	-	-	-
Restricted cash and pooled investments	-	162,001	162,001	-	-
Capital assets					
Land	698,694	57,234	755,928	-	-
Depreciable capital assets, net	12,444,349	12,848,764	25,293,113	-	-
Total assets	16,283,629	13,077,000	29,360,629	166,109	23,617
Liabilities					
Accounts payable	70,219	197,201	267,420	-	-
Accrued liabilities	165,318	48,032	213,350	8,982	-
Unearned revenue	3,351	-	3,351	-	-
Compensated absences	20,026	5,664	25,690	-	-
Due within one year	774,257	245,000	1,019,257	135,000	-
Noncurrent liabilities					
Compensated absences	105,948	22,533	128,481	-	-
Due in more than one year	3,472,350	3,051,159	6,523,509	1,050,000	-
Unamortized bond discount	-	(14,925)	(14,925)	-	-
Total liabilities	4,611,469	3,554,664	8,166,133	1,193,982	-
Net assets (deficit)					
Invested in capital assets, net of related debt	8,896,436	9,609,839	18,506,275	-	-
Restricted for					
Library	164,148	-	164,148	-	-
Capital Improvements	710,016	-	710,016	-	-
Major streets	150,498	-	150,498	-	-
Local streets	134,918	-	134,918	-	-
Museum	48,084	-	48,084	-	-
Drug forfeitures	11,495	-	11,495	-	-
Permanent trusts					
Riverridge Cemetery - expendable portion	17,775	-	17,775	-	-
Riverridge Cemetery - corpus	95,364	-	95,364	-	-
Alvah N. Belding Library - corpus	33,500	-	33,500	-	-
Building Authority debt service	172,137	-	172,137	-	-
Unrestricted (deficit)	1,237,789	(87,503)	1,150,286	(1,027,873)	23,617
Total net assets (deficit)	\$ 11,672,160	\$ 9,522,336	\$ 21,194,496	\$ (1,027,873)	\$ 23,617

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
General government	\$ 759,326	\$ 300,841	\$ -	\$ 440,708	\$ (17,777)
Public safety	1,502,208	228,470	14,993	4,995	(1,253,750)
Public works and streets	672,633	6,585	446,222	408,713	188,887
Culture and recreation	565,991	42,625	192,484	168,917	(161,965)
Interest on long-term debt	158,912	-	-	-	(158,912)
Total governmental activities	<u>3,659,070</u>	<u>578,521</u>	<u>653,699</u>	<u>1,023,333</u>	<u>(1,403,517)</u>
Business-type activities					
Dial-a-Ride	347,111	79,693	173,865	85,170	(8,383)
Sewer	699,833	895,663	-	1,434,233	1,630,063
Water	750,886	672,393	-	-	(78,493)
Ambulance	527,510	344,984	-	-	(182,526)
Total business-type activities	<u>2,325,340</u>	<u>1,992,733</u>	<u>173,865</u>	<u>1,519,403</u>	<u>1,360,661</u>
Total primary government	<u>\$ 5,984,410</u>	<u>\$ 2,571,254</u>	<u>\$ 827,564</u>	<u>\$ 2,542,736</u>	<u>\$ (42,856)</u>
Component units					
Tax Increment Finance Authority	\$ 59,194	\$ -	\$ -	\$ -	\$ (59,194)
Downtown Development Authority	8,876	-	-	-	(8,876)
Total component units	<u>\$ 68,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (68,070)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Tax	
				Increment Finance Authority	Downtown Development Authority
Changes in net assets					
Net (expense) revenue	\$ (1,403,517)	\$ 1,360,661	\$ (42,856)	\$ (59,194)	\$ (8,876)
General revenues					
Property taxes					
General operating	1,440,946	-	1,440,946	173,261	16,708
Capital improvement	192,146	-	192,146	-	-
County-wide library	237,854	-	237,854	-	-
State shared revenues - unrestricted	711,397	-	711,397	-	-
Interest earnings	52,529	4,910	57,439	5,151	648
Transfers - internal activities	(220,000)	220,000	-	-	-
Total general revenues and transfers	<u>2,414,872</u>	<u>224,910</u>	<u>2,639,782</u>	<u>178,412</u>	<u>17,356</u>
Change in net assets	1,011,355	1,585,571	2,596,926	119,218	8,480
Net assets (deficit), beginning of year	<u>10,660,805</u>	<u>7,936,765</u>	<u>18,597,570</u>	<u>(1,147,091)</u>	<u>15,137</u>
Net assets (deficit), end of year	<u>\$ 11,672,160</u>	<u>\$ 9,522,336</u>	<u>\$ 21,194,496</u>	<u>\$ (1,027,873)</u>	<u>\$ 23,617</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2008

	<u>General</u>	<u>Capital Improvements</u>	<u>Library Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 142,392	\$ 207,650	\$ 513,319	\$ 854,593	\$ 1,717,954
Investments	-	-	-	33,500	33,500
Accounts receivable	42,537	-	-	41,811	84,348
Prepaid items	19,738	-	-	-	19,738
Due from other funds	627,273	-	-	-	627,273
Due from other governments	143,114	-	-	69,785	212,899
Total assets	<u>\$ 975,054</u>	<u>\$ 207,650</u>	<u>\$ 513,319</u>	<u>\$ 999,689</u>	<u>\$ 2,695,712</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 14,485	\$ 10,953	\$ -	\$ 17,685	\$ 43,123
Accrued liabilities	96,127	-	-	18,302	114,429
Due to other funds	3,079	-	-	89	3,168
Deferred revenue	3,351	-	-	40,000	43,351
Total liabilities	<u>117,042</u>	<u>10,953</u>	<u>-</u>	<u>76,076</u>	<u>204,071</u>
Fund balances					
Reserved for					
Nonmajor permanent fund corpus	-	-	-	128,864	128,864
Unreserved					
Undesignated	858,012	196,697	513,319	-	1,568,028
Undesignated reported in nonmajor					
Special revenue funds	-	-	-	604,837	604,837
Debt service fund	-	-	-	172,137	172,137
Permanent funds	-	-	-	17,775	17,775
Total fund balances	<u>858,012</u>	<u>196,697</u>	<u>513,319</u>	<u>923,613</u>	<u>2,491,641</u>
Total liabilities and fund balances	<u>\$ 975,054</u>	<u>\$ 207,650</u>	<u>\$ 513,319</u>	<u>\$ 999,689</u>	<u>\$ 2,695,712</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2008

Fund balances - total governmental funds	\$ 2,491,841
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Amounts reported for *governmental activities* in the statement of net assets are different because

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Add - land	698,694
Add - capital assets (net of accumulated depreciation)	11,871,480

Certain assets are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.

Add - Richardson Mills deferred revenue	40,000
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An internal service fund is used by management to charge the costs of centralized costs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.

Add - net assets of governmental activities accounted for in the internal service funds	986,425
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences payable	(124,997)
Deduct - debt payable	(4,246,607)
Deduct - accrued interest on debt payable	<u>(44,476)</u>

Net assets of governmental activities	<u>\$ 11,672,160</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Capital Improvements</u>	<u>Library Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 1,440,946	\$ 192,146	\$ -	\$ 237,854	\$ 1,870,946
Intergovernmental revenues					
Federal	6,150	334,466	-	-	340,616
State	711,397	514,955	-	434,145	1,660,497
Licenses and permits	10,623	-	-	-	10,623
Charges for services	278,665	676	-	116,794	396,135
Fines	22,467	-	-	124,440	146,907
Donations	-	-	128,882	99,975	228,857
Miscellaneous	126,266	7,519	1	105,273	239,059
Total revenues	<u>2,596,514</u>	<u>1,049,762</u>	<u>128,883</u>	<u>1,118,481</u>	<u>4,893,640</u>
Expenditures					
Current					
General government	628,010	-	-	-	628,010
Public safety	1,292,228	-	-	180,518	1,472,746
Public works and streets	-	408,714	-	527,944	936,658
Culture and recreation	194,077	-	-	380,380	574,457
Debt service					
Principal	58,538	28,533	-	45,000	132,071
Interest	8,138	27,528	-	112,296	147,962
Capital Outlay	-	777,767	1,010,075	-	1,787,842
Total expenditures	<u>2,180,991</u>	<u>1,242,542</u>	<u>1,010,075</u>	<u>1,246,138</u>	<u>5,679,746</u>
Revenues over (under) expenditures	<u>415,523</u>	<u>(192,780)</u>	<u>(881,192)</u>	<u>(127,657)</u>	<u>(786,106)</u>
Other financing sources (uses)					
Bond issuance	-	-	1,393,419	-	1,393,419
Transfers in	-	-	-	277,707	277,707
Transfers out	(414,939)	-	-	(105,884)	(520,823)
Total other financing sources (uses)	<u>(414,939)</u>	<u>-</u>	<u>1,393,419</u>	<u>171,823</u>	<u>1,150,303</u>
Net changes in fund balances	584	(192,780)	512,227	44,166	364,197
Fund balances, beginning of year	<u>857,428</u>	<u>389,477</u>	<u>1,092</u>	<u>879,447</u>	<u>2,127,444</u>
Fund balances, end of year	<u>\$ 858,012</u>	<u>\$ 196,697</u>	<u>\$ 513,319</u>	<u>\$ 923,613</u>	<u>\$ 2,491,641</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Net changes in fund balances - total governmental funds	\$ 364,197
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	2,281,321
Deduct - depreciation expense	(455,317)

Contract receivables are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.

Deduct - contract receipts	(10,000)
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Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets.

Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - issuance of debt	(1,393,419)
Add - principal payments on debt	132,071

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in compensated absences	22,879
Deduct - increase in accrued interest	(10,951)

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Add - net income from the internal service funds	<u>80,574</u>
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Change in net assets of governmental activities	<u>\$ 1,011,355</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 1,386,500	\$ 1,437,700	\$ 1,440,946	\$ 3,246
Intergovernmental revenues				
Federal	-	-	6,150	6,150
State	702,000	702,000	711,397	9,397
Licenses and permits	15,000	15,000	10,623	(4,377)
Charges for services	260,800	275,665	278,665	3,000
Fines	16,620	16,620	22,467	5,847
Miscellaneous	54,500	110,250	126,266	16,016
Total revenues	<u>2,435,420</u>	<u>2,557,235</u>	<u>2,596,514</u>	<u>39,279</u>
Expenditures				
Current				
General government	700,870	706,670	628,010	78,660
Public safety	1,289,507	1,320,357	1,292,228	28,129
Culture and recreation	230,340	230,340	194,077	36,263
Debt service				
Principal	-	58,538	58,538	-
Interest and fiscal charges	66,667	8,139	8,138	1
Total expenditures	<u>2,287,384</u>	<u>2,324,044</u>	<u>2,180,991</u>	<u>143,053</u>
Revenues over (under) expenditures	148,036	233,191	415,523	182,332
Transfers out	<u>(264,939)</u>	<u>(414,939)</u>	<u>(414,939)</u>	<u>-</u>
Net changes in fund balance	(116,903)	(181,748)	584	182,332
Fund balance, beginning of year	<u>857,428</u>	<u>857,428</u>	<u>857,428</u>	<u>-</u>
Fund balance, end of year	<u>\$ 740,525</u>	<u>\$ 675,680</u>	<u>\$ 858,012</u>	<u>\$ 182,332</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

JUNE 30, 2008

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
Assets	Sewer	Water	Ambulance	Nonmajor		
Current assets						
Cash and pooled investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 510,601
Accounts receivable	262,635	185,143	55,264	-	503,042	1,660
Prepaid items	-	-	-	438	438	35,630
Due from other governments	-	-	-	29,277	29,277	-
Total current assets	262,635	185,143	55,264	29,715	532,757	547,891
Long-term assets						
Restricted cash and pooled investments	162,001	-	-	-	162,001	-
Land	44,814	12,420	-	-	57,234	-
Land improvements	11,463	-	-	-	11,463	-
Buildings and equipment	1,684,505	2,591,279	5,611	618,051	4,899,446	189,457
Vehicles	-	-	188,216	299,106	487,322	1,786,578
Infrastructure	8,018,356	4,144,603	-	-	12,162,959	-
Less accumulated depreciation	(2,206,502)	(2,205,508)	(88,718)	(211,698)	(4,712,426)	(1,403,166)
Total long-term assets	7,714,637	4,542,794	105,109	705,459	13,067,999	572,869
Total assets	7,977,272	4,727,937	160,373	735,174	13,600,756	1,120,760
Liabilities						
Current liabilities						
Accounts payable	195,005	1,271	598	327	197,201	27,096
Accrued liabilities	26,995	13,493	1,761	5,783	48,032	2,833
Due to other funds	7,809	65,629	356,787	93,531	523,756	103,428
Current portion of compensated absences	3,514	2,150	-	-	5,664	-
Current portion of long-term debt	215,000	30,000	-	-	245,000	-
Total current liabilities	448,323	112,543	359,146	99,641	1,019,653	133,357
Long-term liabilities						
Compensated absences	11,779	8,279	-	2,475	22,533	978
Discount on bonds payable	(14,925)	-	-	-	(14,925)	-
Bonds payable, net of current portion	2,506,159	545,000	-	-	3,051,159	-
Total long-term liabilities	2,503,013	553,279	-	2,475	3,058,767	978
Total liabilities	2,951,336	665,822	359,146	102,116	4,078,420	134,335
Net assets (deficit)						
Investment in capital assets net of related debt	4,831,477	3,967,794	105,109	705,459	9,609,839	572,869
Unrestricted (deficit)	194,459	94,321	(303,882)	(72,401)	(87,503)	413,556
Total net assets (deficit)	\$ 5,025,936	\$ 4,062,115	\$ (198,773)	\$ 633,058	\$ 9,522,336	\$ 986,425

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Sewer	Water	Ambulance	Nonmajor		
Operating revenue						
Charges for services	\$ 850,872	\$ 667,560	\$ 333,356	\$ 75,941	\$ 1,927,729	\$ 1,327,980
Other	25,655	4,833	6,984	-	37,472	-
Total operating revenue	<u>876,527</u>	<u>672,393</u>	<u>340,340</u>	<u>75,941</u>	<u>1,965,201</u>	<u>1,327,980</u>
Operating expense						
Personnel services	176,183	196,116	381,779	129,165	883,243	50,941
Contractual services	96,051	91,867	79,927	74,489	342,334	787,516
Benefits	43,621	48,760	-	19,735	112,116	7,675
Materials and supplies	70,496	37,057	27,898	31,533	166,984	93,426
Utilities	32,681	63,037	1,630	12,051	109,399	70,553
Repair and maintenance	35,958	61,766	6,501	22,029	126,254	169,175
Equipment rentals	66,200	66,200	-	400	132,800	-
Depreciation	114,884	167,789	26,567	47,312	356,552	92,086
Miscellaneous	517	3,731	3,208	10,397	17,853	5,935
Total operating expense	<u>636,591</u>	<u>736,323</u>	<u>527,510</u>	<u>347,111</u>	<u>2,247,535</u>	<u>1,277,307</u>
Operating income (loss)	<u>239,936</u>	<u>(63,930)</u>	<u>(187,170)</u>	<u>(271,170)</u>	<u>(282,334)</u>	<u>50,673</u>
Non-operating revenue (expense)						
Federal grants	1,409,585	-	-	119,998	1,529,583	-
State grants	24,648	-	-	138,871	163,519	-
Miscellaneous	-	-	4,644	3,918	8,562	-
Interest income	23,655	391	-	-	24,046	6,785
Interest expense	(63,242)	(14,563)	-	-	(77,805)	-
Total non-operating revenue (expense)	<u>1,394,646</u>	<u>(14,172)</u>	<u>4,644</u>	<u>262,787</u>	<u>1,647,905</u>	<u>6,785</u>
Income (loss) before transfers	<u>1,634,582</u>	<u>(78,102)</u>	<u>(182,526)</u>	<u>(8,383)</u>	<u>1,365,571</u>	<u>57,458</u>
Transfers						
Transfers in	-	-	150,000	85,000	235,000	23,116
Transfers out	(5,000)	(5,000)	(5,000)	-	(15,000)	-
Total transfers	<u>(5,000)</u>	<u>(5,000)</u>	<u>145,000</u>	<u>85,000</u>	<u>220,000</u>	<u>23,116</u>
Changes in net assets	<u>1,629,582</u>	<u>(83,102)</u>	<u>(37,526)</u>	<u>76,617</u>	<u>1,585,571</u>	<u>80,574</u>
Net assets (deficit), beginning of year	<u>3,396,354</u>	<u>4,145,217</u>	<u>(161,247)</u>	<u>556,441</u>	<u>7,936,765</u>	<u>905,851</u>
Net assets (deficit), end of year	<u>\$ 5,025,936</u>	<u>\$ 4,062,115</u>	<u>\$ (198,773)</u>	<u>\$ 633,058</u>	<u>\$ 9,522,336</u>	<u>\$ 986,425</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	Enterprise Funds				Enterprise Fund Total	Governmental Activities Internal Service Funds
	Sewer	Water	Ambulance	Nonmajor		
Cash flows from operating activities						
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,329,253
Receipts from customers and users	835,128	656,458	363,794	79,859	1,935,239	-
Operating grants	-	-	-	126,291	126,291	-
Payments to employees	(199,777)	(240,300)	(411,429)	(149,414)	(1,000,920)	(58,668)
Payments to suppliers	(151,019)	(339,316)	(133,375)	(151,903)	(775,613)	(1,103,182)
Net cash provided by (used in) operating activities	484,332	76,842	(181,010)	(95,167)	284,997	167,403
Cash flows from non-capital financing activities						
Loan from other funds	(335,333)	(27,670)	31,366	7,688	(323,949)	33,786
Transfers in	-	-	150,000	85,000	235,000	23,116
Transfers out	(5,000)	(5,000)	(5,000)	-	(15,000)	-
Net cash provided by (used in) non-capital financing activities	(340,333)	(32,670)	176,366	92,688	(103,949)	56,902
Cash flows from capital and related financing activities						
Bond issue	2,525,416	-	-	-	2,525,416	-
Interest expense	(63,242)	(14,563)	-	-	(77,805)	-
Capital grants	1,434,233	-	-	85,170	1,519,403	-
Other nonoperating revenue	-	-	4,644	-	4,644	-
Principal on bonds	(125,000)	(30,000)	-	-	(155,000)	-
Discount on bonds payable	(14,925)	-	-	-	(14,925)	-
Acquisitions of capital assets	(3,762,135)	-	-	(82,691)	(3,844,826)	(43,238)
Net cash provided by (used in) capital and related financing activities	(5,653)	(44,563)	4,644	2,479	(43,093)	(43,238)
Cash flows from investing activities						
Interest income	23,655	391	-	-	24,046	8,132
Net cash provided by (used in) investing activities	23,655	391	-	-	24,046	8,132
Net increase (decrease) in cash and pooled investments	162,001	-	-	-	162,001	189,199
Cash and pooled investments, beginning of year	-	-	-	-	-	321,402
Cash and pooled investments, end of year	\$ 162,001	\$ -	\$ -	\$ -	\$ 162,001	\$ 510,601
Cash flows from operating activities						
Operating income (loss)	\$ 239,936	\$ (63,930)	\$ (187,170)	\$ (271,170)	\$ (282,334)	\$ 50,673
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	114,884	167,789	26,567	47,312	356,552	92,086
Operating grants	-	-	-	177,617	177,617	-
Change in operating assets and liabilities which provided (used) cash						
Accounts receivable	(41,399)	(7,077)	32,652	(12,683)	(28,507)	1,273
Prepaid items	-	-	-	(438)	(438)	9,439
Accounts payable	150,884	(15,658)	(14,211)	(566)	120,449	13,984
Accrued liabilities	18,457	1,690	(13,590)	528	7,085	775
Compensated absences	1,570	2,886	(16,060)	(1,042)	(12,646)	(827)
Unearned revenue	-	-	(9,198)	(34,725)	(43,923)	-
Customer deposits	-	(8,858)	-	-	(8,858)	-
Net cash provided by (used in) operating activities	\$ 484,332	\$ 76,842	\$ (181,010)	\$ (95,167)	\$ 284,997	\$ 167,403

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
AGENCY FUND
STATEMENT OF NET ASSETS

JUNE 30, 2008

	Agency Fund
Assets	
Cash and pooled investments	\$ 85,079
Due from other funds	<u>3,079</u>
Total assets	<u>\$ 88,158</u>
 Liabilities	
Other liabilities	<u>\$ 88,158</u>
Total liabilities	<u>\$ 88,158</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BELDING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Belding, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the City. A separate section of the Basic Financial Statements provides detailed financial information on the discretely presented component units.

Blended Component Unit

The Belding Building Authority — The members of the governing board of the Building Authority are appointed by the City Council. The City has significant influence over operations of the Building Authority and is also accountable for its fiscal matters. The Building Authority provides services exclusively to the primary government.

Discretely Presented Component Units

The component unit columns in the basic financial statements include the financial data of the Downtown Development Authority (DDA) and the Tax Increment Finance Authority (TIFA). These entities are reported in separate columns to emphasize that they are legally separate from the City. The City also has a Local Development Finance Authority (LDFA) component unit which had no financial assets or financial activity during the year. The LDFA was formed in 1993 and the bonds related to this entity have been paid and the related projects have been completed. The members of the governing boards of these Authorities are appointed by the City Council. The budgets of these Authorities must be approved by the City Council, and the City has the ability to significantly influence their operations. Financial statements are not separately issued for the component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from discretely presented *component units* for which the primary government is financially accountable.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for shared costs, equipment utilization, and insurance coverage. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal service funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF BELDING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Capital Improvements Fund* accounts for the accumulation and disbursement of resources for the construction of City capital projects. Funding is derived through a two-mill capital improvements tax levy.

The *Library Improvement Fund* accounts for the accumulation and disbursement of resources for the renovation of the Alvah N. Belding Library. Funding is derived through a USDA Rural Development bond issue and contributions from the community.

The City reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services to most residents of the City on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the City's water department that provides water services to most residents of the City on a user charge basis.

The *Ambulance Enterprise Fund* is used to account for the revenues and expenses related to the City-run ambulance service. This fund is primarily funded through user fees combined with a General Fund appropriation and township contractual agreements.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* are used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of governmental funds.

The *Permanent Funds* are used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City programs.

The *Alvah N. Belding Library Fund* accounts for the donations to the City that stipulated that the principal be preserved and only the interest be used for library operations.

The *River Ridge Cemetery Fund* accounts for the revenue received in prior years from perpetual care charges paid by the families of those persons buried in the cemetery. The principal in this fund must be maintained intact per state law and the interest earnings are transferred to the General Fund to help finance the care of cemeteries.

The *Dial-a-Ride Transit Enterprise Fund* is used to account for the operation of the public transportation system. Revenues are derived from Federal and State operating assistance along with passenger fares and various contracts with other entities.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

The *Dial-a-Ride Transit Enterprise Fund* is used to account for the operation of the public transportation system. Revenues are derived from Federal and State operating assistance along with passenger fares and various contracts with other entities.

The *Internal Service Funds* are used to account for shared services, equipment usage, and insurance coverage provided to the City departments and funds on a cost reimbursement basis.

The *Agency Funds* are used to account for the collection and disbursement of property taxes that are collected on behalf of outside governments, and payroll activities for both the City and Housing Commission.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

Budgets and Budgetary Accounting

Comparisons to budget are presented for General and Special Revenue Funds. General and Special Revenue Funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revision that alters the total expenditures of any department must be approved by the City Council. The City Manager is authorized to transfer budgeted amounts within a department subject to the condition that the total expenditures do not exceed the approved appropriations by department. Thus the legal level of budgetary control is at the department level. Supplemental appropriations were necessary during the year.

CITY OF BELDING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account.

Investments

Investments are stated at fair value at the balance sheet date.

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are estimated to be \$96,755 at year-end, based on outstanding billings for ambulance services in the Ambulance Enterprise Fund.

Due to and Due from Other Funds

Interfund receivables and payables are short term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include land, construction in progress, buildings and equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15-20
Buildings and equipment	5-50
Vehicles	5-15
Public domain infrastructure	20-50
System infrastructure	10-75

Deferred/Unearned Revenue

Funds report *deferred/unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred/unearned revenue* reported in the funds were as follows:

Fire service contracts (General Fund)	\$ 3,351
Receivable from Richardson Mills Partnership (Richardson Mills Fund)	<u>40,000</u>
Total governmental funds	<u>\$43,351</u>

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Compensated Absences

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation and sick time benefits under formulas and conditions specified in the contracts. Accumulated vacation and sick time of governmental funds is recorded on the statement of net assets and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net assets of the individual enterprise funds.

Property Taxes

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 15. These summer tax bills include the City's own property taxes and taxes billed on behalf of other taxing units within the City limits. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

2. DEFICIT FUND BALANCE/NET ASSETS

At June 30, 2008 the City had a deficit of unrestricted net assets in the Ambulance Enterprise Fund of \$303,882, and a deficit fund balance in the Building Inspections Special Revenue Fund of \$1,594. The City also had deficit unrestricted net assets in the Dial-A-Ride Enterprise Fund of \$72,401, Building and Grounds Maintenance Internal Service Fund of \$13,036, and Motor Pool Internal Service Fund of \$99,067. The Tax Increment Finance Authority (TIFA) Component Unit had a net assets deficit of \$1,027,873.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

During the year ended June 30, 2008, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Negative)</u>
Local Streets Fund			
Public works and streets	\$207,861	\$209,313	\$(1,452)
Library Fund			
Culture and recreation	329,275	332,401	(3,126)
Museum Fund			
Culture and recreation	37,650	47,979	(10,329)
Building Inspections Fund			
Public safety	9,075	10,204	(1,129)

4. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and pooled investments and investments are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and pooled investments	\$2,228,555	\$189,726	\$85,079	\$2,503,360
Restricted cash and pooled investments	162,001	-	-	162,001
Investments	33,500	-	-	33,500
	<u>\$2,424,056</u>	<u>\$189,726</u>	<u>\$85,079</u>	<u>\$2,698,861</u>

Cash and pooled investments and investments captions consist of the following at June 30, 2008:

Deposits and certificates of deposit	\$2,293,828
Mutual funds and securities	<u>405,033</u>
Total	<u>\$2,698,861</u>

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$2,158,596 of the City's bank balance of \$2,460,533 was exposed to custodial credit risk.

Investments

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following deposits and investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Mutual fund	Various	\$386,905	None	
Mutual fund	Various	9,504	None	
GNMA pass thru pool	12/15/13	8,624	AAA	S&P
		<u>\$405,033</u>		

The above investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year end.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above \$405,033 of investments, the City has a custodial credit risk of \$8,624 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above mutual fund investments the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables of individual funds at June 30, 2008 were as follows:

<u>Receivable fund</u>	<u>Payable fund</u>							<u>Total</u>
	<u>General fund</u>	<u>Sewer fund</u>	<u>Water fund</u>	<u>Ambulance fund</u>	<u>Internal Service funds</u>	<u>Nonmajor enterprise funds</u>	<u>Other funds</u>	
General fund	\$ -	\$7,809	\$65,629	\$356,787	\$103,428	\$93,531	\$ 89	\$627,273
Fiduciary funds	3,079	-	-	-	-	-	-	3,079
Total	\$3,079	\$7,809	\$65,629	\$356,787	\$103,428	\$93,531	\$ 89	\$630,352

Interfund balances primarily reflect loans made from funds with cash and pooled investments to those funds requiring temporary cash flow.

6. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2008 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>				<u>Total</u>
	<u>Nonmajor governmental funds</u>	<u>Internal Service funds</u>	<u>Ambulance fund</u>	<u>Nonmajor enterprise funds</u>	
General fund	\$169,939	\$ -	\$150,000	\$85,000	\$414,939
Sewer	5,000	-	-	-	5,000
Water	5,000	-	-	-	5,000
Ambulance	5,000	-	-	-	5,000
Nonmajor governmental funds	82,768	23,116	-	-	105,884
Total	\$277,707	\$23,116	\$150,000	\$85,000	\$535,823

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

A transfer of \$180,375 was made from the Tax Increment Finance Authority (TIFA) general fund to the TIFA debt service fund to meet principal and interest payment requirements of long-term debt.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

7. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 510,450	\$188,244	\$ -	\$ 698,694
Construction in progress	2,277,943	-	2,277,943	-
Total capital assets, not being depreciated	2,788,393	188,244	2,277,943	698,694
Capital assets, being depreciated				
Land improvements	3,082,847	223,210	-	3,306,057
Buildings and improvements	2,729,996	3,099,482	10,000	5,819,478
Furniture and equipment	468,264	175,516	62,488	581,292
Motor vehicles	2,688,653	23,116	83,415	2,628,354
Infrastructure	3,809,061	892,932	-	4,701,993
Total capital assets, being depreciated	12,778,821	4,414,256	155,903	17,037,174
Less accumulated depreciation for				
Land improvements	798,816	159,634	-	958,450
Buildings and improvements	1,311,633	108,718	10,000	1,410,351
Furniture and equipment	253,311	37,304	62,488	228,127
Motor vehicles	1,644,687	118,859	83,415	1,680,131
Infrastructure	192,878	122,888	-	315,766
Total accumulated depreciation	4,201,325	547,403	155,903	4,592,825
Net capital assets, being depreciated	8,577,496	3,866,853	-	12,444,349
Governmental Activities capital assets, net	\$11,365,889	\$4,055,097	\$2,277,943	\$13,143,043
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 57,234	\$ -	\$ -	\$ 57,234
Construction in progress	363,330	-	363,330	-
Total capital assets, not being depreciated	420,564	-	363,330	57,234
Capital assets being depreciated				
Land improvements	11,463	-	-	11,463
Buildings and equipment	4,759,237	140,209	-	4,899,446
Vehicles	503,746	82,691	99,115	487,322
Infrastructure	8,177,704	3,985,255	-	12,162,959
Total capital assets, being depreciated	13,452,150	4,208,155	99,115	17,561,190
Less accumulated depreciation for				
Land improvements	11,462	-	-	11,462
Buildings and equipment	1,756,041	94,939	-	1,850,980
Vehicles	246,268	58,389	99,115	205,542
Infrastructure	2,441,218	203,224	-	2,644,442
Total accumulated depreciation	4,454,989	356,552	99,115	4,712,426
Net capital assets, being depreciated	8,997,161	3,851,603	-	12,848,764
Business-type Activities capital assets, net	\$9,417,725	\$3,851,603	\$363,330	\$12,905,998

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$159,361
Public safety	68,297
Public works and streets	159,362
Culture and recreation	68,297
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>92,086</u>

Total depreciation expense - governmental activities	<u>\$547,403</u>
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Business-type Activities

Dial-a-Ride	\$ 47,312
Sewer	114,884
Water	167,789
Ambulance	<u>26,567</u>

Total depreciation expense - business- type activities	<u>\$356,552</u>
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8. PENSION PLANS

Defined Contribution Pension Plan

The City of Belding's Employee Retirement System is a defined contribution plan, which provides pension benefits to substantially all employees working more than 1,000 hours per year exclusive of those electing participation in the defined benefit plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon employment. For employees hired prior to December 1, 2003, the City contributes 9% of each participant's base salary to the plan. The City's contributions are vested 100% upon hire. Employees hired after December 1, 2003 are required to contribute at least 2% of their base salary to be eligible for City contributions which range from 6% to 10% based on the employees contribution. The City's contributions for this employee group vest 25% per year and are 100% vested after four years. The plan provisions and contribution amounts were established by City Council and may be amended by City Council. The plan is administered by the ICMA.

The City's total payroll for the year ending June 30, 2008 was \$2,418,010. The City's contribution of \$113,095 was calculated using the base salary amount of \$1,256,610. City employees also made voluntary contributions to the plan totaling \$16,727, which was 1.33% of covered payroll.

Library employees are covered under a separate plan in which the City is contributing to separate retirement annuity accounts for four individuals. The contributions to the plan were \$10,109 based on covered payroll in the amount of \$101,086 for the year ended June 30, 2008, which was 10% of covered payroll.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Defined Benefit Plan

Plan Description

Certain bargaining units of the City participate in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

The City is required to contribute at an actuarially determined rate, which for the current year was 12.5% of annual covered payroll. Participating employees are required to contribute 7% of gross wages to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

For the year ended June 30, 2008, the City's annual pension cost of \$41,198 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year compounded annually based on inflation, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/06	\$44,632	100%	\$ -
6/30/07	42,138	100%	-
6/30/08	41,198	100%	-

Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>Total</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
12/31/05	\$707,033	\$1,456,594	\$749,561	49%	\$341,115	220%
12/31/06	795,754	1,659,984	864,230	48%	334,169	259%
12/31/07	795,160	1,601,374	806,214	50%	303,002	266%

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

9. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Governmental Activities					
\$400,000 Fire truck installment purchase agreement. Payments due in annual installments of \$51,531 to \$63,874 through May 2010, plus interest at 4.388%.	\$ 183,678	\$ -	\$58,538	\$125,140	\$61,188
\$600,000, 2006 Parking lot installment note. Payments due in annual installments of \$56,060 through November 1, 2021, including interest at 4.55%.	600,000	-	28,533	571,467	30,069
\$950,000 Building Authority Bonds, Series 2000. Payments due in annual installments of \$30,000 to \$80,000 through November 1, 2020, plus interest at 5.25% to 5.375%.	785,000	-	40,000	745,000	40,000
Building Authority Bonds, Series 2006, issued through USDA Rural Development. Payments due in annual installments of \$5,000 to \$120,000 through 2046, plus interest at 4.25%	1,416,581	1,393,419	5,000	2,805,000	643,000
Total debt	2,985,259	1,393,419	132,071	4,246,607	774,257
Accrued employee benefits	149,680	15,612	39,318	125,974	20,026
Total Governmental Activities	3,134,939	1,409,031	171,389	4,372,581	794,283
Business-type Activities					
\$2,245,000 City of Belding Sanitary Sewer System Revenue Bonds, Series 1992. Bonds due in annual installments of \$105,000 to \$130,000 through April 1, 2010; plus interest at 2.0%.	320,743	-	125,000	195,743	130,000
City of Belding Act 94 Water Supply System Revenue Bonds due in annual installments of \$25,000 to \$45,000 through October 1, 2023; plus interest at 2.50%.	605,000	-	30,000	575,000	30,000

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Capital Improvement General Obligation Bonds, Series 2007 due in annual installments of \$35,000 to \$75,000 beginning April 1, 2010 through April 1, 2028, plus interest at 4.4% to 4.7%.	\$ -	\$ 995,000	\$ -	\$ 995,000	\$ -
2007 Act 94 Sewage Disposal System Revenue Bonds due in annual installments of \$85,000 to \$115,000 through October 1, 2027, plus interest at 1.625%.	-	1,530,416	-	1,530,416	85,000
Total bonds	925,743	2,525,416	155,000	3,296,159	245,000
Unamortized discount	-	14,925	-	14,925	-
Accrued employee benefits	40,843	4,460	8,186	28,197	5,664
Total Business-type Activities	966,586	2,514,951	163,186	3,309,431	250,664
Component Units					
Tax Increment Finance Authority: \$1,850,000 Tax Increment Refunding Bonds, due in annual installments of \$20,000 to \$200,000 through May 1, 2015; interest at 3.75% to 4.75%.	1,305,000	-	120,000	1,185,000	135,000
Total Long-term Debt - Reporting Entity	\$5,406,525	\$3,923,982	\$454,575	\$8,867,012	\$1,179,947

The series 2006 Building Authority Bonds were issued through a United States Department of Agriculture program which provides for bond proceeds to be received as the library construction project progresses to a maximum amount of \$2,810,000. The amounts due within one year includes \$633,000 which was repaid in advance in July 2008 in accordance with third party agreements. The following future minimum payment schedule includes future interest payments computed giving consideration to those amounts paid in advance.

The 2007 Act 94 Sewage Disposal System Revenue Bonds are issued through a State program which provides for bond proceeds to be received as the related construction project progresses to a maximum amount of \$2,015,000. The following future minimum payment schedule includes only debt outstanding at June 30, 2008.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits and unamortized discounts) as of June 30, 2008 are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 774,257	\$ 161,684	\$ 245,000	\$ 94,888	\$ 135,000	\$ 54,435
2010	140,389	155,318	215,743	90,157	145,000	48,428
2011	82,867	148,641	155,000	85,131	155,000	41,975
2012	88,363	144,484	155,000	81,378	170,000	35,000
2013	105,927	139,811	165,000	77,563	185,000	27,265
2014-2018	640,691	613,188	885,000	323,854	395,000	33,926
2019-2023	621,113	444,402	1,005,000	205,181	-	-
2024-2028	257,000	353,239	470,416	54,779	-	-
2029-2033	305,000	294,631	-	-	-	-
2034-2038	391,000	220,385	-	-	-	-
2039-2043	490,000	126,861	-	-	-	-
2044-2046	350,000	22,419	-	-	-	-
Total	\$4,246,607	\$2,825,063	\$3,296,159	\$1,012,931	\$1,185,000	\$241,029

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance. The City is self-funded for dental insurance and carries commercial health, and optical insurance. Statement No. 10 of the Governmental Accounting Standards Board requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

The activity of the self-funded insurance is accounted for in the Insurance Internal Service Fund. An independent administrator is contracted to process the daily claims. There were no changes in insurance coverage from the prior year. The City is responsible for paying administrative charges which are included in this fund. The revenues for this fund's operation are reimbursements from various funds, employee withholdings, and co-payments. The liability at the end of the year included claims already incurred and reported as well as an estimate for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Any claims outstanding at June 30, 2008 are considered by management to be immaterial, thus the end of year liability at June 30, 2008 is set at zero.

CITY OF BELDING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

Settled claims have not exceeded insurance coverage in the history of the self-insurance program. The changes in the claims liability for the years ended June 30, 2008 and 2007 are as follows:

<u>Year ended June 30,</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2007	\$ -	\$24,488	\$24,488	\$ -
2008	-	24,879	24,879	-

11. COMMITMENTS/SUBSEQUENT EVENTS

During June 30, 2008, the City had entered into contracts for various construction projects throughout the City. As of June 30, 2008, the remaining commitment under these contracts was approximately \$160,000. These projects are funded by various grants and bond proceeds.

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants, and other intergovernmental revenues. General operating expenditures of the City are accounted for in this fund, including the operation of the City Council, City Manager, Finance & Administrative Services, Central Municipal Activities, Cemetery, Police, Fire, Park Maintenance, Interfund Transfers, Belrockton Community Center, Community Promotions, Planning and Community Development, and Debt Service.

CITY OF BELDING
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

Expenditures	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Current				
General government				
City Council	\$ 49,850	\$ 49,850	\$ 10,986	\$ 38,864
City Manager	234,598	238,498	231,438	7,060
Finance and administration	234,792	236,692	233,403	3,289
Central municipal activities	120,000	120,000	115,673	4,327
Cemetery	61,630	61,630	36,510	25,120
	<u>700,870</u>	<u>706,670</u>	<u>628,010</u>	<u>78,660</u>
Public safety				
Police Department	788,661	816,111	814,059	2,052
Fire Department	500,846	504,246	478,169	26,077
	<u>1,289,507</u>	<u>1,320,357</u>	<u>1,292,228</u>	<u>28,129</u>
Culture and recreation				
Park maintenance	78,800	78,800	61,911	16,889
Community center	36,615	36,615	35,117	1,498
Planning and community development	89,675	89,675	72,841	16,834
Community promotions	25,250	25,250	24,208	1,042
	<u>230,340</u>	<u>230,340</u>	<u>194,077</u>	<u>36,263</u>
Debt service				
Principal	-	58,538	58,538	-
Interest and fiscal charges	66,667	8,139	8,138	1
	<u>66,667</u>	<u>66,677</u>	<u>66,676</u>	<u>1</u>
Total expenditures	<u>\$ 2,287,384</u>	<u>\$ 2,324,044</u>	<u>\$ 2,180,991</u>	<u>\$ 143,053</u>

NON-MAJOR FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Major Streets - This fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the City.

Local Streets - This fund is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as local streets in the City.

Dispatch - This fund accounts for the funds received through the 911 telephone surcharge tax that are used for the City of Belding's 911 Dispatch Center. A General Fund appropriation also contributes toward this operation.

Richardson Mills - This fund accounts for the revenue received from the Richardson Mills Partnership per the agreement reached between the City and the partnership on the promissory note.

Library - This fund accounts for the operations of the City library. This fund is primarily funded through a county-wide tax levy and State of Michigan penal fines.

Museum - This fund accounts for the operations of the City museum. The revenues are derived mostly from donations and fund-raisers.

Drug Forfeiture - This fund is used to account for the revenue received from assets seized in drug raids. The expenditures from this fund are to be used for purchase of items that will reduce drug activity.

Building Inspections - This fund accounts for the revenue derived from performing inspections and the related expenditures.

The Debt Service Funds are used to account for the accumulation of resources and payment of principal and interest on debt from governmental resources.

Building Authority - This fund accounts for the funding and payment of principal and interest on debt issued to renovate the City parks. Funding is derived from a transfer from other funds.

Library - This fund accounts for the funding and payment of principal and interest on debt issued to renovate the City library. Funding is derived from a transfer from other funds.

The Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the city programs.

Alvah N. Belding Library - This fund accounts for the donation of Alvah N. Belding to the City that stipulated that the principal be preserved and only the interest be used for library operations.

River Ridge Cemetery - This fund accounts for the revenue received from perpetual care charges paid by the families of those persons buried in the cemetery. The corpus in this fund must be maintained intact per state law and the interest earnings are transferred to the General Fund to help finance the perpetual care of cemeteries.

CITY OF BELDING
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2008

	Special Revenue				
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Dispatch</u>	<u>Richardson Mills</u>	<u>Library</u>
Assets					
Cash and pooled investments	\$ 100,354	\$ 129,047	\$ 91,665	\$ 10,777	\$ 176,991
Investments	-	-	-	-	-
Accounts receivable	1,811	-	-	40,000	-
Due from other governments	51,764	18,021	-	-	-
Total assets	<u>\$ 153,929</u>	<u>\$ 147,068</u>	<u>\$ 91,665</u>	<u>\$ 50,777</u>	<u>\$ 176,991</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 22	\$ 10,146	\$ -	\$ -	\$ 5,192
Accrued liabilities	3,409	2,004	5,154	-	7,651
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	40,000	-
Total liabilities	<u>3,431</u>	<u>12,150</u>	<u>5,154</u>	<u>40,000</u>	<u>12,843</u>
Fund balances (deficit)					
Reserved					
Permanent fund corpus	-	-	-	-	-
Unreserved					
Undesignated	150,498	134,918	86,511	10,777	164,148
Total fund balances (deficit)	<u>150,498</u>	<u>134,918</u>	<u>86,511</u>	<u>10,777</u>	<u>164,148</u>
Total liabilities and fund balances	<u>\$ 153,929</u>	<u>\$ 147,068</u>	<u>\$ 91,665</u>	<u>\$ 50,777</u>	<u>\$ 176,991</u>

		Debt Service			Permanent		Total
<u>Museum</u>	<u>Drug Forfeiture</u>	<u>Building Inspections</u>	<u>Building Authority</u>	<u>Library</u>	<u>Alvah N. Belding Library</u>	<u>Riverridge Cemetery</u>	
\$ 48,988	\$ 11,495	\$ -	\$ 1,909	\$ 170,228	\$ -	\$ 113,139	\$ 854,593
-	-	-	-	-	33,500	-	33,500
-	-	-	-	-	-	-	41,811
-	-	-	-	-	-	-	69,785
<u>\$ 48,988</u>	<u>\$ 11,495</u>	<u>\$ -</u>	<u>\$ 1,909</u>	<u>\$ 170,228</u>	<u>\$ 33,500</u>	<u>\$ 113,139</u>	<u>\$ 999,689</u>
\$ 904	\$ -	\$ 1,421	\$ -	\$ -	\$ -	\$ -	\$ 17,685
-	-	84	-	-	-	-	18,302
-	-	89	-	-	-	-	89
-	-	-	-	-	-	-	40,000
<u>904</u>	<u>-</u>	<u>1,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,076</u>
-	-	-	-	-	33,500	95,364	128,864
<u>48,084</u>	<u>11,495</u>	<u>(1,594)</u>	<u>1,909</u>	<u>170,228</u>	<u>-</u>	<u>17,775</u>	<u>794,749</u>
<u>48,084</u>	<u>11,495</u>	<u>(1,594)</u>	<u>1,909</u>	<u>170,228</u>	<u>33,500</u>	<u>113,139</u>	<u>923,613</u>
<u>\$ 48,988</u>	<u>\$ 11,495</u>	<u>\$ -</u>	<u>\$ 1,909</u>	<u>\$ 170,228</u>	<u>\$ 33,500</u>	<u>\$ 113,139</u>	<u>\$ 999,689</u>

CITY OF BELDING
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue				
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Dispatch</u>	<u>Richardson Mills</u>	<u>Library</u>
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 237,854
Intergovernmental revenues					
State	316,114	109,974	-	-	8,057
Charges for services	-	-	110,362	-	6,251
Fines	-	-	-	-	124,440
Donations	-	-	-	-	18,181
Miscellaneous	3,961	22,757	15,113	10,237	35,726
Total revenues	<u>320,075</u>	<u>132,731</u>	<u>125,475</u>	<u>10,237</u>	<u>430,509</u>
Expenditures					
Current					
Public safety	-	-	170,314	-	-
Public works and streets	318,631	209,313	-	-	-
Culture and recreation	-	-	-	-	332,401
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>318,631</u>	<u>209,313</u>	<u>170,314</u>	<u>-</u>	<u>332,401</u>
Revenues over (under) expenditures	<u>1,444</u>	<u>(76,582)</u>	<u>(44,839)</u>	<u>10,237</u>	<u>98,108</u>
Other financing sources (uses)					
Transfers in	-	55,000	58,939	-	-
Transfers out	-	-	-	-	(82,768)
Total other financing sources (uses)	<u>-</u>	<u>55,000</u>	<u>58,939</u>	<u>-</u>	<u>(82,768)</u>
Net changes in fund balances	1,444	(21,582)	14,100	10,237	15,340
Fund balances, beginning of year	<u>149,054</u>	<u>156,500</u>	<u>72,411</u>	<u>540</u>	<u>148,808</u>
Fund balances (deficit), end of year	<u>\$ 150,498</u>	<u>\$ 134,918</u>	<u>\$ 86,511</u>	<u>\$ 10,777</u>	<u>\$ 164,148</u>

Debt Service					Permanent		Total
<u>Museum</u>	<u>Drug Forfeiture</u>	<u>Building Inspections</u>	<u>Building Authority</u>	<u>Library</u>	<u>Alvah N. Belding Library</u>	<u>Riverridge Cemetery</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 237,854
-	-	-	-	-	-	-	434,145
181	-	-	-	-	-	-	116,794
-	-	-	-	-	-	-	124,440
41,759	-	-	-	40,035	-	-	99,975
1,104	1,826	8,610	72	467	-	5,400	105,273
43,044	1,826	8,610	72	40,502	-	5,400	1,118,481
-	-	10,204	-	-	-	-	180,518
-	-	-	-	-	-	-	527,944
47,979	-	-	-	-	-	-	380,380
-	-	-	40,000	5,000	-	-	45,000
-	-	-	40,800	71,496	-	-	112,296
47,979	-	10,204	80,800	76,496	-	-	1,246,138
(4,935)	1,826	(1,594)	(80,728)	(35,994)	-	5,400	(127,657)
-	-	-	81,000	82,768	-	-	277,707
-	(23,116)	-	-	-	-	-	(105,884)
-	(23,116)	-	81,000	82,768	-	-	171,823
(4,935)	(21,290)	(1,594)	272	46,774	-	5,400	44,166
53,019	32,785	-	1,637	123,454	33,500	107,739	879,447
\$ 48,084	\$ 11,495	\$ (1,594)	\$ 1,909	\$ 170,228	\$ 33,500	\$ 113,139	\$ 923,613

CITY OF BELDING
MAJOR STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
State	315,000	315,000	316,114	1,114
Charges for services				
Fines	-	-	-	-
Donations	-	-	-	-
Miscellaneous	100	100	3,961	3,861
Total revenues	<u>315,100</u>	<u>315,100</u>	<u>320,075</u>	<u>4,975</u>
Expenditures				
Current				
Public safety	-	-	-	-
Public works and streets	360,208	360,208	318,631	41,577
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>360,208</u>	<u>360,208</u>	<u>318,631</u>	<u>41,577</u>
Revenues over (under) expenditures	<u>(45,108)</u>	<u>(45,108)</u>	<u>1,444</u>	<u>46,552</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	<u>(45,108)</u>	<u>(45,108)</u>	<u>1,444</u>	<u>46,552</u>
Fund balance, beginning of year	<u>149,054</u>	<u>149,054</u>	<u>149,054</u>	<u>-</u>
Fund balance, end of year	<u>\$ 103,946</u>	<u>\$ 103,946</u>	<u>\$ 150,498</u>	<u>\$ 46,552</u>

CITY OF BELDING

LOCAL STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental revenues				
Federal	\$ -	\$ -	\$ -	\$ -
State	110,000	110,000	109,974	(26)
Charges for services	-	-	-	-
Fines	-	-	-	-
Donations	-	-	-	-
Miscellaneous	19,000	19,000	22,757	3,757
Total revenues	129,000	129,000	132,731	3,731
Expenditures				
Current				
Public safety	-	-	-	-
Public works and streets	196,061	207,861	209,313	(1,452)
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	196,061	207,861	209,313	(1,452)
Revenues over (under) expenditures	(67,061)	(78,861)	(76,582)	2,279
Other financing sources (uses)				
Transfers in	55,000	55,000	55,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	55,000	55,000	55,000	-
Net changes in fund balance	(12,061)	(23,861)	(21,582)	2,279
Fund balance, beginning of year	156,500	156,500	156,500	-
Fund balance, end of year	<u>\$ 144,439</u>	<u>\$ 132,639</u>	<u>\$ 134,918</u>	<u>\$ 2,279</u>

CITY OF BELDING
DISPATCH FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
State	-	-	-	-
Charges for services	107,750	107,750	110,362	2,612
Fines	-	-	-	-
Donations	-	-	-	-
Miscellaneous	<u>10,100</u>	<u>10,100</u>	<u>15,113</u>	<u>5,013</u>
Total revenues	<u>117,850</u>	<u>117,850</u>	<u>125,475</u>	<u>7,625</u>
Expenditures				
Current				
Public safety	176,789	176,789	170,314	6,475
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>176,789</u>	<u>176,789</u>	<u>170,314</u>	<u>6,475</u>
Revenues over (under) expenditures	<u>(58,939)</u>	<u>(58,939)</u>	<u>(44,839)</u>	<u>14,100</u>
Other financing sources (uses)				
Transfers in	58,939	58,939	58,939	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>58,939</u>	<u>58,939</u>	<u>58,939</u>	<u>-</u>
Net changes in fund balance	-	-	14,100	14,100
Fund balance, beginning of year	<u>72,411</u>	<u>72,411</u>	<u>72,411</u>	<u>-</u>
Fund balance, end of year	<u>\$ 72,411</u>	<u>\$ 72,411</u>	<u>\$ 86,511</u>	<u>\$ 14,100</u>

CITY OF BELDING
RICHARDSON MILLS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
State	-	-	-	-
Charges for services	-	-	-	-
Fines	-	-	-	-
Donations	-	-	-	-
Miscellaneous	<u>10,100</u>	<u>10,100</u>	<u>10,237</u>	<u>137</u>
Total Revenues	<u>10,100</u>	<u>10,100</u>	<u>10,237</u>	<u>137</u>
Expenditures				
Current				
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>10,100</u>	<u>10,100</u>	<u>10,237</u>	<u>137</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	<u>10,100</u>	<u>10,100</u>	<u>10,237</u>	<u>137</u>
Fund balance, beginning of year	<u>540</u>	<u>540</u>	<u>540</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,640</u>	<u>\$ 10,640</u>	<u>\$ 10,777</u>	<u>\$ 137</u>

CITY OF BELDING
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 233,000	\$ 233,000	\$ 237,854	\$ 4,854
Intergovernmental revenues				
State	8,525	8,525	8,057	(468)
Charges for services	5,650	5,650	6,251	601
Fines	110,000	125,000	124,440	(560)
Donations	14,000	14,000	18,181	4,181
Miscellaneous	39,100	39,100	35,726	(3,374)
Total revenues	<u>410,275</u>	<u>425,275</u>	<u>430,509</u>	<u>5,234</u>
Expenditures				
Current				
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Culture and recreation	345,275	329,275	332,401	(3,126)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>345,275</u>	<u>329,275</u>	<u>332,401</u>	<u>(3,126)</u>
Revenues over (under) expenditures	<u>65,000</u>	<u>96,000</u>	<u>98,108</u>	<u>2,108</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(65,000)	(83,000)	(82,768)	232
Total other financing sources (uses)	<u>(65,000)</u>	<u>(83,000)</u>	<u>(82,768)</u>	<u>232</u>
Net changes in fund balance	-	13,000	15,340	2,340
Fund balance, beginning of year	<u>148,808</u>	<u>148,808</u>	<u>148,808</u>	-
Fund balance, end of year	<u>\$ 148,808</u>	<u>\$ 161,808</u>	<u>\$ 164,148</u>	<u>\$ 2,340</u>

CITY OF BELDING
MUSEUM FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
State	-	-	-	-
Charges for services	-	-	181	181
Fines	-	-	-	-
Donations	10,500	31,500	41,759	10,259
Miscellaneous	450	450	1,104	654
Total revenues	<u>10,950</u>	<u>31,950</u>	<u>43,044</u>	<u>11,094</u>
Expenditures				
Current				
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Culture and recreation	25,150	37,650	47,979	(10,329)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>25,150</u>	<u>37,650</u>	<u>47,979</u>	<u>(10,329)</u>
Revenues over (under) expenditures	<u>(14,200)</u>	<u>(5,700)</u>	<u>(4,935)</u>	<u>765</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	(14,200)	(5,700)	(4,935)	765
Fund balance, beginning of year	<u>53,019</u>	<u>53,019</u>	<u>53,019</u>	<u>-</u>
Fund balance, end of year	<u>\$ 38,819</u>	<u>\$ 47,319</u>	<u>\$ 48,084</u>	<u>\$ 765</u>

CITY OF BELDING

DRUG FORFEITURE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
State	-	-	-	-
Charges for services	-	-	-	-
Fines	-	-	-	-
Donations	-	-	-	-
Miscellaneous	500	500	1,826	1,326
Total Revenues	500	500	1,826	1,326
Expenditures				
Current				
Public safety	6,200	6,200	-	6,200
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	6,200	6,200	-	6,200
Revenues over (under) expenditures	(5,700)	(5,700)	1,826	7,526
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(24,000)	(24,000)	(23,116)	884
Total other financing sources (uses)	(24,000)	(24,000)	(23,116)	884
Net changes in fund balance	(29,700)	(29,700)	(21,290)	8,410
Fund balance, beginning of year	32,785	32,785	32,785	-
Fund balance, end of year	\$ 3,085	\$ 3,085	\$ 11,495	\$ 8,410

CITY OF BELDING
BUILDING INSPECTIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
State	-	-	-	-
Charges for services	-	-	-	-
Fines	-	-	-	-
Donations	-	-	-	-
Miscellaneous	-	8,650	8,610	(40)
Total Revenues	-	8,650	8,610	(40)
Expenditures				
Current				
Public safety	-	9,075	10,204	(1,129)
Highways and streets	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	9,075	10,204	(1,129)
Revenues over (under) expenditures	-	(425)	(1,594)	(1,169)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	-	(425)	(1,594)	(1,169)
Fund balance, beginning of year	-	-	-	-
Fund balance (deficit), end of year	\$ -	\$ (425)	\$ (1,594)	\$ (1,169)

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises- where the intent of the City Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City Council has decided that periodic determination of net income is appropriate for accountability purposes.

Dial-a-Ride Transit - This fund is used to account for the operation of the public transportation system. Revenues are derived from both Federal and State operating assistance along with passenger fares and various contracts with other entities.

CITY OF BELDING
NONMAJOR ENTERPRISE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Dial-a-Ride Transit
Assets	
Current assets	
Cash and pooled investments	\$ -
Prepaid items	438
Due from other governments	<u>29,277</u>
Total current assets	<u>29,715</u>
Capital assets	
Buildings and equipment	618,051
Vehicles	299,106
Less accumulated depreciation	<u>(211,698)</u>
Net capital assets	<u>705,459</u>
Total assets	<u>735,174</u>
Liabilities	
Current liabilities	
Accounts payable	327
Accrued liabilities	5,783
Due to other funds	<u>93,531</u>
Total current liabilities	99,641
Long-term liabilities	
Compensated absences	<u>2,475</u>
Total liabilities	<u>102,116</u>
Net assets	
Investment in capital assets net of related debt	705,459
Unrestricted (deficit)	<u>(72,401)</u>
Total net assets	<u>\$ 633,058</u>

CITY OF BELDING

NONMAJOR ENTERPRISE FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	Dial-a-Ride Transit
Operating revenue	
Charges for services	\$ 75,941
Other	<u>-</u>
Total operating revenue	<u>75,941</u>
Operating expense	
Personnel services	129,165
Contractual services	74,489
Benefits	19,735
Materials and supplies	31,533
Utilities	12,051
Repair and maintenance	22,029
Equipment rentals	400
Depreciation	47,312
Miscellaneous	<u>10,397</u>
Total operating expense	<u>347,111</u>
Operating income (loss)	<u>(271,170)</u>
Non-operating revenue (expense)	
Federal grants	119,998
State grants	138,871
Miscellaneous	<u>3,918</u>
Total non-operating revenue (expense)	<u>262,787</u>
Income (loss) before transfers	(8,383)
Transfers	
Transfers in	<u>85,000</u>
Changes in net assets	76,617
Net assets, beginning of year	<u>556,441</u>
Net assets, end of year	<u>\$ 633,058</u>

CITY OF BELDING

NONMAJOR ENTERPRISE FUND STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	Dial-a-Ride Transit
Cash flows from operating activities	
Receipts from customers and users	\$ 79,859
Operating grants	126,291
Payments to employees	(149,414)
Payments to suppliers	(151,903)
	<u>(95,167)</u>
Net cash provided by (used in) operating activities	<u>(95,167)</u>
Cash flows from non-capital financing activities	
Loan from other funds	7,688
Transfers in	85,000
	<u>92,688</u>
Net cash provided by (used in) non-capital financing activities	<u>92,688</u>
Cash flows from capital and related financing activities	
Capital grants	85,170
Acquisitions of capital assets	(82,691)
	<u>2,479</u>
Net cash provided by (used in) capital and related financing activities	<u>2,479</u>
Net increase (decrease) in cash and pooled investments	-
Cash and pooled investments, beginning of year	<u>-</u>
Cash and pooled investments, end of year	<u>\$ -</u>
Cash flows from operating activities	
Operating income (loss)	\$ (271,170)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	47,312
Operating grants	177,617
Change in operating assets and liabilities which provided (used) cash	
Due from other governments	(12,683)
Prepaid items	(438)
Accounts payable	(566)
Accrued liabilities	528
Compensated absences	(1,042)
Unearned revenue	(34,725)
	<u>(95,167)</u>
Net cash provided by (used in) operating activities	<u>\$ (95,167)</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Internal Service - This fund accounts for the costs of centralized municipal services such as legal fees, liability and property insurance, audit, data processing, and other miscellaneous services. The costs are reimbursed to this fund by the user departments.

Buildings and Grounds Maintenance - This fund accounts for the costs of operating and maintaining the land and buildings of the City, excluding the water and sewer buildings. The costs are reimbursed to this fund by the user departments.

Motor Pool - This fund accounts for the costs of acquiring and maintaining City-operated vehicles used by various City departments. The costs are reimbursed to this fund by the user departments.

Insurance - This fund accounts for the City's premium payments for insurance and the actual costs incurred. The costs are reimbursed to this fund by the user departments.

CITY OF BELDING

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2008

	Internal Service	Buildings and Grounds Maintenance	Motor Pool	Insurance	Total
Assets					
Current assets					
Cash and pooled investments	\$ 138,956	\$ -	\$ -	\$ 371,645	\$ 510,601
Accounts receivable	-	-	-	1,660	1,660
Prepaid items	-	2,346	-	33,284	35,630
Total current assets	138,956	2,346	-	406,589	547,891
Capital assets					
Buildings and equipment	50,229	85,450	53,778	-	189,457
Vehicles	-	-	1,786,578	-	1,786,578
Less accumulated depreciation	(16,077)	(49,828)	(1,337,261)	-	(1,403,166)
Net capital assets	34,152	35,622	503,095	-	572,869
Total assets	173,108	37,968	503,095	406,589	1,120,760
Liabilities					
Current liabilities					
Accounts payable	17,144	1,193	6,017	2,742	27,096
Accrued liabilities	-	252	2,581	-	2,833
Due to other funds	-	13,937	89,491	-	103,428
Total current liabilities	17,144	15,382	98,089	2,742	133,357
Long-term liabilities					
Compensated absences	-	-	978	-	978
Total liabilities	17,144	15,382	99,067	2,742	134,335
Net assets					
Investment in capital assets net of related debt	34,152	35,622	503,095	-	572,869
Unrestricted (deficit)	121,812	(13,036)	(99,067)	403,847	413,556
Total net assets	\$ 155,964	\$ 22,586	\$ 404,028	\$ 403,847	\$ 986,425

CITY OF BELDING

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Internal Service</u>	<u>Buildings and Grounds Maintenance</u>	<u>Motor Pool</u>	<u>Insurance</u>	<u>Total</u>
Operating revenue					
Charges for services	\$ 272,099	\$ 92,698	\$ 290,964	\$ 672,219	\$ 1,327,980
Total operating revenue	<u>272,099</u>	<u>92,698</u>	<u>290,964</u>	<u>672,219</u>	<u>1,327,980</u>
Operating expense					
Personnel services	-	4,438	46,503	-	50,941
Contractual services	212,977	-	49,263	525,276	787,516
Benefits	-	-	7,675	-	7,675
Materials and supplies	13,618	1,050	78,758	-	93,426
Utilities	10,693	38,198	21,662	-	70,553
Repair and maintenance	4,389	33,826	130,960	-	169,175
Depreciation	2,699	5,659	83,728	-	92,086
Miscellaneous	5,801	-	134	-	5,935
Total operating expense	<u>250,177</u>	<u>83,171</u>	<u>418,683</u>	<u>525,276</u>	<u>1,277,307</u>
Operating income (loss)	21,922	9,527	(127,719)	146,943	50,673
Non-operating revenue (expense)					
Interest income	1,164	-	-	5,621	6,785
Income (loss) before transfers	23,086	9,527	(127,719)	152,564	57,458
Transfers					
Transfers in	-	-	23,116	-	23,116
Changes in net assets	23,086	9,527	(104,603)	152,564	80,574
Net assets, beginning of year	<u>132,878</u>	<u>13,059</u>	<u>508,631</u>	<u>251,283</u>	<u>905,851</u>
Net assets, end of year	<u>\$ 155,964</u>	<u>\$ 22,586</u>	<u>\$ 404,028</u>	<u>\$ 403,847</u>	<u>\$ 986,425</u>

CITY OF BELDING

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Internal Service</u>	<u>Buildings and Grounds Maintenance</u>	<u>Motor Pool</u>	<u>Insurance</u>	<u>Total</u>
Cash flows from operating activities					
Receipts from internal services provided	\$ 272,099	\$ 92,698	\$ 290,964	\$ 673,492	\$ 1,329,253
Payments to employees	-	(4,186)	(54,482)	-	(58,668)
Payments to suppliers	(233,653)	(78,307)	(280,473)	(510,749)	(1,103,182)
Net cash provided by (used in) operating activities	38,446	10,205	(43,991)	162,743	167,403
Cash flows from non-capital financing activities					
Loans to (from) other funds	-	(10,205)	43,991	-	33,786
Transfers in	-	-	23,116	-	23,116
Net cash provided by (used in) non-capital financing activities	-	(10,205)	67,107	-	56,902
Cash flows from capital and related financing activities					
Acquisitions of capital assets	(20,122)	-	(23,116)	-	(43,238)
Cash flows from investing activities					
Interest income	1,681	-	-	6,451	8,132
Net increase (decrease) in cash and pooled investments	20,005	-	-	169,194	189,199
Cash and pooled investments, beginning of year	118,951	-	-	202,451	321,402
Cash and pooled investments, end of year	\$ 138,956	\$ -	\$ -	\$ 371,645	\$ 510,601
Cash flows from operating activities					
Operating income (loss)	\$ 21,922	\$ 9,527	\$ (127,719)	\$ 146,943	\$ 50,673
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	2,699	5,659	83,728	-	92,086
Change in operating assets and liabilities which provided (used) cash					
Accounts receivable	-	-	-	1,273	1,273
Prepaid items	-	(2,346)	-	11,785	9,439
Accounts payable	13,825	(2,887)	304	2,742	13,984
Accrued liabilities	-	252	523	-	775
Compensated absences	-	-	(827)	-	(827)
Net cash provided by (used in) operating activities	\$ 38,446	\$ 10,205	\$ (43,991)	\$ 162,743	\$ 167,403

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds.

Current Tax Collection - This fund accounts for the collection and disbursements of property taxes billed and collected by the City on behalf of the county and school districts.

Housing Commission Payroll Fund - This fund is used to account for receipt and disbursement associated with performing the payroll function for the Belding Housing Commission.

Payroll Clearing Fund - This fund is used to account for receipt and disbursement of payroll withholdings.

CITY OF BELDING
AGENCY FUND
COMBINING STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2008

	<u>Tax Collection</u>	<u>Housing Commission Payroll</u>	<u>Payroll Clearing</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 83,427	\$ -	\$ 1,652	\$ 85,079
Due from other funds	<u>3,079</u>	<u>-</u>	<u>-</u>	<u>3,079</u>
Total assets	<u>\$ 86,506</u>	<u>\$ -</u>	<u>\$ 1,652</u>	<u>\$ 88,158</u>
Liabilities				
Other liabilities	<u>\$ 86,506</u>	<u>\$ -</u>	<u>\$ 1,652</u>	<u>\$ 88,158</u>
Total liabilities	<u>\$ 86,506</u>	<u>\$ -</u>	<u>\$ 1,652</u>	<u>\$ 88,158</u>

CITY OF BELDING
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>TAX COLLECTION</u>				
Assets				
Cash and pooled investments	\$ 16,147	\$ 4,560,662	\$ 4,493,382	\$ 83,427
Due from other funds	46,395	3,579	46,895	3,079
Total assets	<u>\$ 62,542</u>	<u>\$ 4,564,241</u>	<u>\$ 4,540,277</u>	<u>\$ 86,506</u>
Liabilities				
Accounts payable	\$ 62,542	-	\$ 62,542	-
Other liabilities	-	4,530,631	4,444,125	86,506
Total liabilities	<u>\$ 62,542</u>	<u>\$ 4,530,631</u>	<u>\$ 4,506,667</u>	<u>\$ 86,506</u>
<u>HOUSING COMMISSION PAYROLL</u>				
Assets				
Cash and pooled investments	\$ -	\$ 378,992	\$ 378,992	-
Due from other governments	38,909	-	38,909	-
Total assets	<u>\$ 38,909</u>	<u>\$ 378,992</u>	<u>\$ 417,901</u>	<u>\$ -</u>
Liabilities				
Due to other funds	\$ 38,909	-	\$ 38,909	-
Other liabilities	-	309,501	309,501	-
Total liabilities	<u>\$ 38,909</u>	<u>\$ 309,501</u>	<u>\$ 348,410</u>	<u>\$ -</u>
<u>PAYROLL CLEARING FUND</u>				
Assets				
Cash and pooled investments	\$ 91	\$ 2,949,089	\$ 2,947,528	\$ 1,652
Liabilities				
Accounts payable	\$ 91	-	\$ 91	-
Other liabilities	-	2,949,089	2,947,437	1,652
Total liabilities	<u>\$ 91</u>	<u>\$ 2,949,089</u>	<u>\$ 2,947,528</u>	<u>\$ 1,652</u>
<u>TOTAL AGENCY FUNDS</u>				
Assets				
Cash and pooled investments	\$ 16,238	\$ 7,888,743	\$ 7,819,902	\$ 85,079
Due from other governments	38,909	-	38,909	-
Due from other funds	46,395	3,579	46,895	3,079
Total assets	<u>\$ 101,542</u>	<u>\$ 7,892,322</u>	<u>\$ 7,905,706</u>	<u>\$ 88,158</u>
Liabilities				
Accounts payable	\$ 62,633	-	\$ 62,633	-
Due to other funds	38,909	-	38,909	-
Other liabilities	-	7,789,221	7,701,063	88,158
Total liabilities	<u>\$ 101,542</u>	<u>\$ 7,789,221</u>	<u>\$ 7,802,605</u>	<u>\$ 88,158</u>

COMPONENT UNITS

Tax Increment Finance Authority (TIFA) - The TIFA Fund accumulates tax revenue "captured" in the TIFA district for the payment of principal and interest on the TIFA bonds and principal and interest on loans from other City funds.

Downtown Development Authority (DDA) - The DDA is used to account for activities designed to correct and prevent deterioration in the downtown area and promote economic growth within downtown.

CITY OF BELDING

TAX INCREMENT FINANCE AUTHORITY COMBINING BALANCE SHEET/STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Fund Types			Adjustments	Statement of Net Assets
	General Fund	Debt Service Fund	Totals		
Assets					
Cash and pooled investments	\$ 153,456	\$ 12,653	\$ 166,109	\$ -	\$ 166,109
Total assets	<u>\$ 153,456</u>	<u>\$ 12,653</u>	<u>\$ 166,109</u>	<u>-</u>	<u>166,109</u>
Liabilities and fund balances					
Liabilities					
Accrued liabilities	\$ -	\$ -	\$ -	8,982	8,982
Noncurrent liabilities					
Due within one year	-	-	-	135,000	135,000
Due in more than one year	-	-	-	1,050,000	1,050,000
Total liabilities	-	-	-	1,193,982	1,193,982
Fund balances					
Unreserved					
Undesignated	153,456	12,653	166,109	(166,109)	-
Total liabilities and fund balances	<u>\$ 153,456</u>	<u>\$ 12,653</u>	<u>\$ 166,109</u>		
Net assets (deficit)					
Unrestricted				<u>\$ (1,027,873)</u>	<u>\$ (1,027,873)</u>

CITY OF BELDING

TAX INCREMENT FINANCE AUTHORITY COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Governmental Fund Types</u>				<u>Statement of</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>	<u>Adjustments</u>	<u>Net Assets</u>
Revenues					
Taxes	\$ 173,261	\$ -	\$ 173,261	\$ -	\$ 173,261
Miscellaneous	4,948	203	5,151	-	5,151
Total revenues	<u>178,209</u>	<u>203</u>	<u>178,412</u>	<u>-</u>	<u>178,412</u>
Expenditures					
Current					
Miscellaneous	300	-	300	-	300
Debt Service					
Principal	-	120,000	120,000	(120,000)	-
Interest	-	59,775	59,775	(881)	58,894
Total expenditures	<u>300</u>	<u>179,775</u>	<u>180,075</u>	<u>(120,881)</u>	<u>59,194</u>
Revenues over (under) expenditures	<u>177,909</u>	<u>(179,572)</u>	<u>(1,663)</u>	<u>(120,881)</u>	<u>119,218</u>
Other financing sources (uses)					
Transfers in	-	180,375	180,375	-	180,375
Transfers out	(180,375)	-	(180,375)	-	(180,375)
Total other financing sources (uses)	<u>(180,375)</u>	<u>180,375</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(2,466)	803	(1,663)	1,663	
Change in net assets				(119,218)	119,218
Fund balances/net assets, beginning of year	<u>155,922</u>	<u>11,850</u>	<u>167,772</u>		<u>(1,147,091)</u>
Fund balances/net assets, end of year	<u>\$ 153,456</u>	<u>\$ 12,653</u>	<u>\$ 166,109</u>		<u>\$ (1,027,873)</u>

CITY OF BELDING

DOWNTOWN DEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>Governmental Fund Type</u>		<u>Statement of Net Assets</u>
	<u>General Fund</u>	<u>Adjustments</u>	
Assets			
Cash and pooled investments	\$ 23,617	\$ -	\$ 23,617
Accrued interest receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 23,617</u>	<u>-</u>	23,617
 Liabilities and fund balances			
Total liabilities	\$ -	-	<u>-</u>
 Fund balances			
Unreserved			
Undesignated	<u>23,617</u>	<u>(23,617)</u>	-
Total liabilities and fund balances	<u>\$ 23,617</u>		
 Net assets (deficit)			
Unrestricted		<u>\$ 23,617</u>	<u>\$ 23,617</u>

CITY OF BELDING

DOWNTOWN DEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Governmental Fund Type</u>		<u>Statement of Net Assets</u>
	<u>General Fund</u>	<u>Adjustments</u>	
Revenues			
Taxes	\$ 16,708	\$ -	\$ 16,708
Miscellaneous	<u>648</u>	<u>-</u>	<u>648</u>
Total revenues	17,356	-	17,356
Total expenditures	<u>8,876</u>	<u>-</u>	<u>8,876</u>
Net changes in fund balances	8,480	(8,480)	
Change in net assets		(8,480)	8,480
Fund balances/net assets, beginning of year	<u>15,137</u>		<u>15,137</u>
Fund balances/net assets, end of year	<u>\$ 23,617</u>		<u>\$ 23,617</u>

CITY OF BELDING

STATISTICAL SECTION

This part of the City of Belding's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the city's overall financial health.

Contents

Table

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

A-1 to A-4

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

B-1 to B-4

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

C-1 to C-4

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place.

D-1 to D-2

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

E-1 to E-3

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

CITY OF BELDING

Table A-1

NET ASSETS BY COMPONENT LAST SIX FISCAL YEARS (accrual basis of accounting)

	Fiscal Year					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 8,896,436	\$ 8,380,630	\$ 7,326,258	\$ 4,283,083	\$ 3,195,861	\$ 2,999,242
Restricted	1,537,935	1,197,065	1,153,129	2,355,064	501,655	377,805
Unrestricted	1,237,789	1,083,110	1,190,038	1,401,699	3,185,173	3,072,256
Total governmental activities net assets	\$ 11,672,160	\$ 10,660,805	\$ 9,669,425	\$ 8,039,846	\$ 6,882,689	\$ 6,449,303
Business-type activities						
Invested in capital assets, net of related debt	\$ 9,609,839	\$ 8,491,981	\$ 8,256,276	\$ 7,917,166	\$ 7,769,018	\$ 7,552,743
Restricted	-	-	-	-	13,714	52,011
Unrestricted	(87,503)	(555,216)	(284,785)	69,248	215,994	265,602
Total business-type activities net assets	\$ 9,522,336	\$ 7,936,765	\$ 7,971,491	\$ 7,986,414	\$ 7,998,726	\$ 7,870,356
Primary government						
Invested in capital assets, net of related debt	\$ 18,506,275	\$ 16,872,611	\$ 15,582,534	\$ 12,200,249	\$ 10,964,879	\$ 10,551,985
Restricted	1,537,935	1,197,065	1,153,129	2,355,064	515,369	429,816
Unrestricted	1,150,286	527,894	905,253	1,470,947	3,401,167	3,337,858
Total primary government net assets	\$ 21,194,496	\$ 18,597,570	\$ 17,640,916	\$ 16,026,260	\$ 14,881,415	\$ 14,319,659

CITY OF BELDING

Table A-2

CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Expenses						
Governmental activities						
General government	\$ 759,326	\$ 950,345	\$ 849,876	\$ 814,409	\$ 873,762	\$ 622,283
Public safety	1,502,208	1,534,902	1,499,635	1,224,421	1,732,955	1,443,148
Public works and streets	672,633	472,115	513,211	706,441	406,188	550,383
Culture and recreation	565,991	765,700	722,106	647,071	549,764	468,436
Interest on long-term debt	158,913	85,649	57,839	61,907	64,931	53,257
Total governmental activities	3,659,071	3,808,711	3,642,667	3,454,249	3,627,600	3,137,487
Business-type activities						
Dial-a-Ride	347,111	285,061	305,875	323,344	335,802	322,327
Sewer	699,833	603,563	756,757	678,093	643,387	596,897
Water	750,886	796,600	718,658	624,492	616,180	543,548
Ambulance (1)	527,510	530,122	555,521	583,221	-	-
Total business-type activities	2,325,340	2,215,346	2,336,811	2,209,150	1,595,369	1,462,772
Total primary government expenses	5,984,411	6,024,057	5,979,478	5,663,399	5,222,969	4,600,259
Program revenues						
Governmental activities						
Charges for services	578,522	597,447	610,101	257,388	746,788	667,002
Operating grants and contributions	653,699	621,255	657,318	642,331	631,431	634,167
Capital grants and contributions	1,023,333	1,052,905	1,528,891	1,090,940	118,608	503,318
Total governmental activities program revenues	2,255,554	2,271,607	2,796,310	1,990,659	1,496,827	1,804,487
Business-type activities						
Charges for services						
Dial-a-Ride	79,693	65,359	76,268	69,161	67,878	89,519
Sewer	895,663	670,700	629,075	608,646	577,726	536,103
Water	672,393	615,208	618,820	615,966	515,039	505,400
Ambulance	344,984	398,373	450,881	541,686	-	-
Operating grants and contributions	173,865	127,415	129,045	137,100	294,781	111,542
Capital grants and contributions	1,519,403	246,698	382,630	18,926	205,835	159,974
Total business-type activities program revenues	3,686,001	2,123,753	2,286,719	1,991,485	1,661,257	1,402,538
Total primary government program revenues	5,941,555	4,395,360	5,083,029	3,982,144	3,158,084	3,207,025

(continued)

CITY OF BELDING

CHANGES IN NET ASSETS LAST SIX FISCAL YEARS (accrual basis of accounting)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Net (expense) revenue						
Governmental activities	\$ (1,403,517)	\$ (1,537,104)	\$ (846,357)	\$ (1,463,590)	\$ (2,130,773)	\$ (1,333,000)
Business-type activities	1,360,661	(91,593)	(50,092)	(217,885)	65,888	(60,234)
Total primary government net (expense) revenue	(42,856)	(1,628,697)	(896,449)	(1,681,255)	(2,064,885)	(1,393,234)
General revenues and other changes in net assets						
Governmental activities						
Property taxes						
General operating	1,440,946	1,394,139	1,336,185	1,312,920	1,246,797	1,200,508
Capital projects	192,146	184,961	177,189	169,960	162,411	155,557
County-wide library levy	237,854	224,392	211,593	202,660	192,004	183,137
State shared revenues	711,397	710,668	732,142	739,551	751,617	959,698
Interest earnings	52,529	64,325	48,827	106,204	71,840	144,306
Other general revenues	-	-	-	268,511	184,490	255,090
Transfers	(220,000)	(50,000)	(30,000)	(179,059)	(55,000)	(40,982)
Total governmental activities	2,414,872	2,528,485	2,475,936	2,620,747	2,564,159	2,857,314
Business-type activities						
Interest earnings	4,910	6,867	5,169	5,280	2,920	10,816
Other general revenues	-	-	-	-	4,562	25,353
Transfers	220,000	50,000	30,000	179,059	55,000	40,982
Total business-type activities	224,910	56,867	35,169	184,339	62,482	77,151
Total primary government	2,639,782	2,585,352	2,511,105	2,805,086	2,626,641	2,934,465
Change in net assets						
Governmental activities	1,011,355	991,381	1,629,579	1,157,157	433,386	1,524,314
Business-type activities	1,585,571	(34,726)	(14,923)	(33,326)	128,370	16,917
Total primary government	\$ 2,596,926	\$ 956,655	\$ 1,614,656	\$ 1,123,831	\$ 561,756	\$ 1,541,231

(concluded)

Note:

(1) Prior to 2005, ambulance operations were included in governmental activities

CITY OF BELDING
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2007	2006	2006	2005	2004	2003	2002	2001	1999
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	858,012	857,428	663,276	591,089	1,208,927	1,211,610	839,588	648,463	492,864	424,391
Total general fund	\$ 858,012	\$ 857,428	\$ 663,276	\$ 591,089	\$ 1,208,927	\$ 1,211,610	\$ 839,588	\$ 648,463	\$ 492,864	\$ 424,391
All other governmental funds										
Reserved	\$ 128,864	\$ 128,864	\$ 128,864	\$ 2,395	\$ 2,343	\$ 2,153	\$ 1,931	\$ 1,642	\$ 4,589	\$ 42,805
Unreserved reported in										
Special revenue funds	604,837	736,571	1,248,591	1,225,561	1,358,453	1,132,321	1,281,384	1,227,772	1,054,360	641,608
Debt service funds	172,137	1,637	1,272	-	-	-	95	2,243	-	-
Capital project funds	710,016	390,569	150,307	1,361,436	351,921	174,312	87,333	1,078,044	195,910	169,198
Permanent funds	17,775	12,375	8,900	132,164	128,564	123,264	-	-	-	-
Total all other governmental funds	\$ 1,633,629	\$ 1,270,016	\$ 1,537,934	\$ 2,721,556	\$ 1,841,281	\$ 1,432,050	\$ 1,370,743	\$ 2,308,701	\$ 1,254,859	\$ 853,611

Note:
 Permanent Funds were established at the time the City implemented GASB 34

CITY OF BELDING
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues										
Taxes	\$ 1,870,946	\$ 1,803,492	\$ 1,724,967	\$ 1,685,540	\$ 1,601,212	\$ 1,539,887	\$ 1,429,692	\$ 1,346,398	\$ 1,299,844	\$ 1,248,268
Intergovernmental revenues										
Federal	340,618	693,244	142,125	20,880	95,783	-	58,157	61,740	69,192	52,427
State	1,660,497	1,151,106	1,177,831	2,108,873	1,263,495	1,938,873	1,487,675	1,304,084	1,226,209	1,160,061
Licenses and permits	10,623	12,612	21,542	21,411	14,704	13,850	6,207	11,019	11,011	11,696
Charges for services	396,135	410,349	389,528	421,840	882,625	796,867	728,734	713,073	606,139	572,398
Fines	146,907	127,355	108,144	17,392	22,095	15,573	15,821	15,259	12,373	8,119
Special assessment	-	-	2,406	2,008	3,950	22,590	23,759	27,846	31,086	29,533
Donations	228,857	404,360	195,437	225,471	49,722	78,744	-	-	-	-
Miscellaneous	239,060	259,003	288,672	282,087	185,321	298,974	507,227	434,085	491,263	251,684
Total revenues	4,893,641	4,861,521	4,050,652	4,785,492	4,118,917	4,707,358	4,257,272	3,913,304	3,747,117	3,334,187
Expenditures										
Current										
General government	628,010	638,133	666,332	819,464	856,712	804,856	1,248,666	1,159,024	1,131,495	1,125,778
Public safety	1,472,746	1,411,567	1,484,937	1,161,658	2,201,003	1,608,731	1,224,612	1,202,854	1,164,787	1,131,614
Public works and streets	936,658	443,877	190,527	399,427	399,659	662,894	488,527	543,874	561,474	434,784
Culture and recreation	574,457	553,450	1,180,826	409,031	377,674	443,667	429,719	482,321	365,018	362,323
Debt service										
Principal	132,071	91,152	111,792	108,531	105,847	50,000	23,284	27,039	48,488	45,790
Interest	147,962	81,111	58,754	62,849	62,812	53,706	55,807	30,112	9,709	13,287
Capital Outlay	1,787,842	3,702,577	1,438,919	1,317,081	53,662	735,206	1,593,698	249,200	57,338	160,487
Total expenditures	5,679,746	6,901,867	5,132,087	4,577,041	4,057,369	4,349,060	5,064,313	3,694,224	3,338,320	3,274,063
Revenues over (under) expenditures	(786,105)	(2,040,346)	(1,081,435)	208,451	61,548	358,298	(807,041)	219,080	408,797	60,124
Other financing sources (uses)										
Bond/note proceeds	1,383,419	2,016,581	-	-	400,000	-	-	938,252	-	-
Transfers in	277,707	990,123	227,784	1,267,815	192,851	230,360	342,486	328,059	430,765	322,011
Transfers out	(520,823)	(1,040,123)	(257,784)	(1,192,815)	(247,851)	(271,342)	(283,278)	(274,850)	(369,842)	(291,443)
Total other financing sources (uses)	1,150,303	1,966,581	(30,000)	75,000	345,000	(40,982)	59,208	991,361	60,923	30,568
Net changes in fund balances	\$ 364,198	\$ (73,765)	\$ (1,111,435)	\$ 283,451	\$ 406,548	\$ 317,316	\$ (747,833)	\$ 1,210,441	\$ 469,720	\$ 90,692
Debt service as a percentage of noncapital expenditures	7.2%	4.8%	4.6%	5.3%	4.2%	2.9%	2.3%	1.7%	1.8%	1.9%

CITY OF BELDING

ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Table B-1

Fiscal Year Ended June 30	Real property				Personal Property	Total Assessed and Actual Value	Total Direct Tax Rate
	Residential Property	Agricultural Property	Commercial Property	Industrial Property			
1999	\$ 109,350,200	\$ 18,200	\$ 21,405,000	\$ 16,444,400	\$ 26,307,800	\$ 173,525,600	16.9500
2000	120,535,400	19,600	23,399,400	16,539,800	24,194,800	184,689,000	16.9500
2001	127,930,400	19,600	24,159,000	16,891,600	24,989,800	193,990,400	16.9500
2002	139,841,600	22,200	26,603,600	18,274,400	28,018,400	212,760,200	16.9500
2003	148,230,800	26,000	27,236,200	18,468,200	22,704,200	216,665,400	16.9500
2004	152,798,800	56,000	28,035,600	18,633,400	22,846,200	222,370,000	16.9500
2005	159,356,000	56,000	29,382,400	21,796,200	26,149,400	236,740,000	16.9500
2006	163,680,000	56,000	30,535,800	21,099,200	25,102,800	240,473,800	16.9500
2007	161,503,200	56,000	31,174,000	17,808,000	20,084,400	230,625,600	16.9500
2008	153,974,600	-	31,900,200	17,967,200	20,169,400	224,011,400	16.9500

Property is reassessed each year at actual value, therefore, the assessed values are equal to the actual value.
Direct tax rate (millage) is per \$1,000 of taxable value which is generally equal to one-half of the assessed value.

Source: Ionia County Equalization Department

CITY OF BELDING
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$1,000 of taxable value)

Fiscal Year Ended	City of Belding			Ionla County		Belding Area Schools (1)				Ionla ISD		State	
	Operating Millage	Improvement Millage	Total City Millage	Operating Millage	Library Millage	Senior Citizen	County Millage	Non-Homestead Millage	Debt Millage	BAS Millage	Operating Millage	Education Tax Millage	Total
June 30 1999	14.9500	2.0000	16.9500	4.9578	1.0000	-	5.9578	18.0000	7.0000	25.0000	2.9786	6.0000	56.8864
2000	14.9500	2.0000	16.9500	4.9244	0.9806	-	5.9150	18.0000	7.0000	25.0000	2.9581	6.0000	56.8231
2001	14.9500	2.0000	16.9500	4.8603	0.9777	-	5.8380	17.9856	7.0000	24.9856	2.9213	6.0000	56.6949
2002	14.9500	2.0000	16.9500	4.8053	0.9666	-	5.7719	17.9856	7.0000	24.9856	2.8885	6.0000	56.5960
2003	14.9500	2.0000	16.9500	4.7620	0.9579	0.3750	6.0949	17.9856	7.0000	24.9856	2.8613	6.0000	56.8918
2004	14.9500	2.0000	16.9500	4.7353	0.9525	0.3729	6.0607	17.9856	7.0000	24.9856	4.5747	5.0000	57.5710
2005	14.9500	2.0000	16.9500	4.6993	0.9452	0.3700	6.0145	17.6708	7.0000	24.6708	4.5369	6.0000	58.1722
2006	14.9500	2.0000	16.9500	4.6434	0.9339	0.3750	5.9523	18.0000	7.0000	25.0000	4.4728	6.0000	58.3751
2007	14.9500	2.0000	16.9500	4.6434	0.9339	0.3750	5.9523	18.0000	7.0000	25.0000	4.4728	6.0000	58.3751
2008	14.9500	2.0000	16.9500	4.6434	0.9339	0.3750	5.9523	18.0000	7.0000	25.0000	4.4728	6.0000	58.3751

(1) In 1994, property tax reform was implemented in the State resulting in a 18 mill levy on non-homestead properties and 6.0 mills on all properties.

(2) Taxes rates (millages) are per \$1,000 of taxable value which is generally equal to one-half of the assessed value.

CITY OF BELDING

Table B-3

PRINCIPAL PROPERTY TAX PAYERS CURRENT YEAR AND NINE YEARS AGO

<u>Taxpayer</u>	<u>2008</u>			<u>1999 (1)</u>		
	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Value</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Value</u>
Extruded Metals	\$ 7,668,479	1	7.55%			
Robroy Industries	2,075,400	2	2.04%			
Mizkan Americas	1,185,600	3	1.17%			
Metron of Belding	1,121,383	6	1.10%			
Consumers Energy	1,096,164	5	1.08%			
Granco-Clark	1,019,800	4	1.00%			
Candlestone Inn	973,560	7	0.96%			
Mason County Fruit Packers	774,100	8	0.76%			
Northgate Properties LLC	705,447	9	0.69%			
Bentwood II Apartments	662,400	10	0.65%			
Total	<u>\$ 17,282,333</u>		<u>17.02%</u>	<u>\$ -</u>		<u>0.00%</u>

Source: City assessors office

Note:

(1) Information from 1999 is not available

CITY OF BELDING

Table B-4

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 1,128,510	\$ 1,037,624	91.9%	\$ 89,285	\$ 1,126,909	99.86%
2000	1,177,405	1,080,330	91.8%	96,619	1,176,949	99.96%
2001	1,205,792	1,125,252	93.3%	79,818	1,205,070	99.94%
2002	1,274,052	1,186,898	93.2%	84,141	1,271,039	99.76%
2003	1,383,420	1,304,229	94.3%	77,515	1,381,744	99.88%
2004	1,423,897	1,345,280	94.5%	78,416	1,423,696	99.99%
2005	1,490,889	1,413,319	94.8%	77,258	1,490,577	99.98%
2006	1,562,251	1,430,829	91.6%	128,728	1,559,557	99.83%
2007	1,626,615	1,476,676	90.8%	145,853	1,622,529	99.75%
2008	1,681,098	1,536,673	91.4%	143,209	1,679,882	99.93%

Source: City treasurer

Note:

- (1) Real and personal property taxes combined.
- (2) Property taxes are levied July 1 and become delinquent March 1 of the following year.
Delinquent real property taxes are purchased by Ionia County and are included in the collections in subsequent years column. Delinquent personal property taxes are collected by the City of Belding.

CITY OF BELDING

Table C-1

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Governmental Activities				Business-type Activities			Percentage of Personal Income (1) (3)	Per Capita (1)
	General Obligation Bonds (2)	Amount Available	Net General Obligation Bonds	Loans Payable	Percentage of Property Value	Per Capita	Revenue Bonds		
1999	\$ 2,320,118	\$ 42,149	\$ 2,277,969	\$ 24,693	2.96%	\$ 371	\$ 1,250,743	0.00%	573
2000	2,191,000	3,933	2,187,067	15,323	2.54%	374.75	1,140,743	0.00%	569
2001	3,029,000	3,229	3,025,771	5,284	3.28%	523.14	1,030,743	4.74%	701
2002	2,906,000	1,370	2,904,630	-	2.99%	501.92	915,743	4.47%	660
2003	2,746,000	1,497	2,744,503	-	2.58%	470.92	975,467	4.32%	638
2004	2,580,000	1,687	2,578,313	345,152	2.70%	502.40	1,370,743	4.99%	738
2005	2,398,000	1,739	2,396,261	293,622	2.42%	462.10	1,225,743	4.55%	673
2006	2,235,000	1,272	2,233,728	239,830	2.09%	427.58	1,080,743	4.16%	614
2007	3,506,581	125,091	3,381,490	783,678	3.46%	725.39	925,743	6.00%	887
2008	5,730,000	172,137	5,557,863	696,607	5.42%	1,089.25	2,301,159	10.08%	1,490
							\$	Total	
								3,553,405	
								3,343,133	
								4,061,798	
								3,820,373	
								3,719,970	
								4,294,208	
								3,915,626	
								3,554,301	
								5,090,911	
								8,555,629	

Note:

- (1) 1990 census figures (1995-2000), 2000 census figures (2001-Present) can be found at Table D-1.
- (2) Includes long-term debt of Tax Increment Finance Authority and Local Development Finance Authority.
- (3) Information prior to 2001 is not available.

CITY OF BELDING

Table C-2

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF JUNE 30, 2007

Governmental Unit	Debt Outstanding	Percentage Applicable To City	Amount Applicable To City
Overlapping Debt:			
Belding Area Schools	\$ 21,285,271	31.14%	\$ 6,628,233
Ionia County	444,296	6.51%	28,924
Ionia County Intermediate School District	1,175,000	5.68%	66,740
Total Overlapping Debt			6,723,897
City of Belding direct debt			5,730,000
Total Direct and Overlapping Debt			<u>\$ 12,453,897</u>

The portion of the taxable value for each governmental unit located within the City of Belding over the taxable value of the governmental unit as a whole is utilized to calculate overlapping debt percentages.

Source: Michigan Advisory Council (MAC)

CITY OF BELDING
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Total state equalized value (1)	\$ 112,005,700										
Debt limitation - 10 percent of SEV	\$ 11,200,570										
Debt applicable to limitation:											
Total bonded debt	8,727,766										
Less:											
Revenue bonds	(2,301,159)										
Installment loans	(696,607)										
Total Debt Applicable to Limitation	5,730,000										
Legal Debt Margin	\$ 5,470,570										
		Fiscal Year									
		2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Debt limit	\$	11,200,570	\$ 11,531,280	\$ 12,022,340	\$ 11,414,970	\$ 11,118,500	\$ 10,829,620	\$ 10,638,010	\$ 9,699,520	\$ 9,234,450	\$ 8,676,280
Total net debt applicable to limit		5,730,000	3,506,581	2,235,000	2,398,000	2,580,000	2,746,000	2,906,000	3,029,000	2,191,000	2,320,118
Legal debt margin	\$	5,470,570	\$ 8,024,699	\$ 9,787,340	\$ 9,016,970	\$ 8,538,500	\$ 8,083,620	\$ 7,732,010	\$ 6,670,520	\$ 7,043,450	\$ 6,356,162
Total net debt applicable to limit as a percentage of debt limit		51.2%	30.4%	18.6%	21.0%	23.2%	25.4%	27.3%	31.2%	23.7%	26.7%

(1) Source: City assessors office

CITY OF BELDING

Table C-4

PLEDGED REVENUE COVERAGE LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Sewer Revenue Bonds					Water Revenue Bonds				
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Coverage	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Coverage
1999	\$ 566,560	\$ 428,210	\$ 138,350	\$ 105,000	1.04	\$ -	\$ -	\$ -	\$ -	-
2000	609,592	607,243	2,349	110,000	0.02	-	-	-	-	-
2001	591,227	496,898	94,329	110,000	0.71	-	-	-	-	-
2002	597,301	513,155	84,146	115,000	0.62	-	-	-	-	-
2003	546,959	455,001	91,958	115,000	0.69	-	-	-	-	-
2004	577,726	492,671	85,055	115,000	0.65	519,251	483,014	36,237	-	6.99
2005	608,646	536,284	72,362	120,000	0.54	615,966	448,462	167,504	25,000	4.09
2006	634,244	632,408	1,836	120,000	0.01	618,820	534,140	84,680	25,000	2.06
2007	674,982	482,097	192,885	125,000	1.47	614,596	539,139	75,457	30,000	1.66
2008	869,197	509,867	359,330	125,000	1.87	668,546	573,465	95,081	30,000	2.13

Note:
Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expense.
Service charges include interest income.

CITY OF BELDING

Table D-1

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN CALENDAR YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
1999	6,202	\$ -	\$ -	5.9
2000	5,877	-	-	5.3
2001	5,794	85,629,526	14,779	7.6
2002	5,787	85,526,073	14,779	8.8
2003	5,828	86,132,012	14,779	10.3
2004	5,819	85,999,001	14,779	9.2
2005	5,821	86,028,559	14,779	7.2
2006	5,785	85,496,515	14,779	7.8
2007	5,742	84,861,018	14,779	8.2
2008	5,742	84,861,018	14,779	8.0

(1) per Estimated population of Michigan Cities 2000-2007

(2) per U.S. Census Bureau - 2000 information prior to 2001 is not available

(3) per Michigan Department of Labor & Economic Growth (Unemployment rate is for Ionia County)

CITY OF BELDING

Table D-2

PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	2008			1999		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Extruded Metals	225	1	(1)	240	1	(1)
Granco-Clark	105	2				
Stahlin Enclosures	95	3		51	5	
Belding Tank & Technologies	48	4		50	6	
Spectrum Industries	30	5		25	7	
Gerreff Industries	30	6				
Baker Road Seating	20	7				
Hillside Finishing	15	8		20	9	
Mizkan America	15	9				
B&O Saws	11	10				
Viatech Process Storage				95	2	
Tomco Tool & Die				88	3	
Mason County Fruit Packers				61	4	
West Michigan Automotive Steel				23	8	
Belding Tool & Machine Corp.				18	10	

Source: City offices

(1) information is not available

CITY OF BELDING
CITY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Table E-1

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
									(1)	(1)
General government										
Administration										
Full time	2	3	3	3	4	4	4	4		
Part time	1	1	1	-	-	-	-	-		
Finance										
Full time	3	3	3	3	3	3	3	3		
Part time	2	2	1	1	1	1	1	1		
Public works										
Full time	8	8	9	10	10	11	11	11		
Part time	8	8	2	2	2	3	2	2		
Library										
Full time	3	3	3	3	3	4	4	4		
Part time	4	5	4	4	3	3	3	3		
Public Safety										
Police										
Full time	8	8	9	8	9	10	11	11		
Part time	2	2	4	2	2	2	2	2		
Fire										
Full time	4	4	4	4	4	4	4	4		
Part time	20	20	22	22	17	19	19	19		
Dispatch										
Full time	1	1	2	2	2	2	2	2		
Part time	9	8	5	5	5	6	6	6		
Ambulance										
Full time	0	3	5	5	5	4	5	5		
Part time	0	22	13	17	17	19	14	15		
Dial-a-Ride										
Full time	2	3	3	4	4	4	4	4		
Part time	7	5	5	4	5	5	3	3		
Planning Department										
Full time	1									
Part time	1									
Building Inspection										
Full time	0									
Part time	3									
Total	89	109	98	100	96	104	98	99	-	-

Source: City finance office

(1) information is not available

CITY OF BELDING

Table E-2

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999 (1)
Police										
Arrests	605	611	610	609	271	618	618	610	(1)	
Accident responses	114	135	130	141	134	171	171	211	(1)	
Fire										
Fire calls	223	258	248	206	154	206	206	141	(1)	
Rescue calls	45	35	10	70	47	64	64	51	(1)	
MFR calls	394	381	430	346	350	372	372	373	(1)	
Public service calls	663	615	569	212	349	242	242	210	(1)	
Public works and streets										
Street reconstruction (in miles)	0	0	0.80	0.50	-	0.14	0.14	0.65	0.71	
Culture and recreation										
Library books	46,725	46,725	46,725	46,725	46,725	46,725	46,725	46,725	46,725	
Sewer system										
Number of service connections	1,790	1,790	1,790	1,790	1,790	1,790	1,790	1,760	1,760	
Daily average treatment in gallons	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	850,000	
Water system										
Number of service connections	1,810	1,810	1,810	1,810	1,810	1,810	1,810	1,780	1,780	
Daily average consumption in gallons	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	
Dial-a-Ride system										
Total transit miles	70,436	65,913	76,435	92,210	87,279	108,338	108,308	72,729	78,438	
Passengers	27,439	25,010	31,190	33,908	31,007	41,974	34,667	38,242	38,732	

Source: Various City departments

(1) information is not available

CITY OF BELDING

Table E-3

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999 (1)
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	5	5	5	5	5	5	5	5	5	5
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Emergency response vehicles	5	5	6	6	6	8	8	7	7	7
Public works and streets										
Buildings	1	1	1	1	1	1	1	1	1	1
Miles of streets	37	37	37	37	37	37	37	36	36	36
Number of street lights	394	394	394	394	394	394	394	394	394	394
Culture and recreation										
Park acreage	160	160	160	160	160	160	160	160	160	160
Sewer system										
Miles of sanitary sewers	36	36	36	36	36	36	36	36	36	36
Miles of storm sewers	25	25	25	25	25	25	25	25	25	25
Maximum daily capacity in gallons	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Water system										
Miles of water mains	36	36	36	36	36	36	36	36	36	36
Fire hydrants	241	241	241	241	241	241	241	241	241	241
Above ground storage capacity	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Maximum daily capacity in gallons	3,823,200	3,823,200	3,823,200	3,823,200	3,823,200	3,823,200	3,823,200	3,823,200	3,823,200	3,823,200
Dial-a-Ride system										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	5	5	5	5	5	5	5	5	5	5

Source: City finance office

(1) information is not available

CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF LOCAL REVENUES (1)
FOR THE YEAR ENDED JUNE 30, 2008

	<u>7/1/07 to</u> <u>9/30/2007</u>	<u>10/1/07 to</u> <u>6/30/2008</u>	<u>Total</u>
Demand response (farebox)			
Regular service	\$ 5,493	\$ 25,152	\$ 30,645
Contracted fares	100	-	100
Contracted fares - Ionia County Job Access	17,980	27,216	45,196
Training reimbursement - Ionia County Job Access	-	165	165
Miscellaneous	1,251	-	1,252
Other nonoperating revenue	-	2,501	2,501
Transfer from general fund	<u>21,250</u>	<u>63,750</u>	<u>85,000</u>
Total local revenues	<u>\$ 46,074</u>	<u>\$ 118,784</u>	<u>\$ 164,859</u>

DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF LOCAL REVENUES (1A)
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>10/1/06 to</u> <u>6/30/2007</u>	<u>7/1/07 to</u> <u>9/30/2007</u>	<u>Total</u>
Local revenue			
Demand response (farebox)			
Regular service	\$ 21,690	\$ 5,493	\$ 27,183
Contracted fares	2,066	100	2,166
Contracted fares - Ionia County Job Access	21,406	17,980	39,386
Training reimbursement - Ionia County Job Access	165	-	165
Miscellaneous	267	1,251	1,518
Transfer from general fund	<u>48,750</u>	<u>21,250</u>	<u>70,000</u>
Total local revenues	<u>\$ 94,344</u>	<u>\$ 46,074</u>	<u>\$ 140,418</u>

CITY OF BELDING

**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF EXPENDITURES OF STATE AND FEDERAL AWARDS (2)**

FOR THE YEAR ENDED JUNE 30, 2008

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant No. Authorization Number	Program Award Amount	Current year expenditures			Prior Year's Expended	Award Amount Remaining
				Total	Federal	State		
U.S. Department of transportation								
Passed through Michigan Department of Transportation								
Operating assistance - section 5311 - current year receipts	20.509	02-0016/Z9	\$ 33,565	\$ 1,080	\$ 1,080	\$ -	\$ 32,190	\$ 295
Operating assistance - section 5311 - current year receipts	20.509	07-0173/Z1	37,672	8,967	8,967	-	28,316	389
Operating assistance - section 5311 - current year accruals	20.509	07-0173/Z1	-	4,310	4,310	-	-	-
Total operating assistance - section 5311 - Current year	20.509	07-0173/Z1	37,672	13,277	13,277	-	28,316	389
Total operating assistance - section 5311 - Current year	20.509	07-0173/Z2	37,394	28,592	28,592	-	-	8,802
RTAP funding	20.509	N/A	2,279	2,279	2,279	-	-	-
Capital grant - section 5309 - communications	20.500	02-0016/Z10	33,640	33,170	33,170	-	-	470
Capital grant - section 5309 - bus	20.500	02-0016/Z10	41,600	41,600	41,600	-	-	-
Total passed through Michigan Department of Transportation			186,150	119,998	119,998	-	60,506	9,956
Michigan Department of Transportation								
Operating Assistance - Act 51 - final audit payback	N/A	FY04	-	4,368	-	4,368	-	-
Operating Assistance - Act 51 - final audit payback	N/A	FY05	-	(685)	-	(685)	-	-
Operating Assistance - Act 51 - current year deferrals	N/A	FY06	-	18,213	-	18,213	-	-
State portion of bus grant	N/A	02-0016/Z10	10,400	10,400	-	10,400	-	-
Operating Assistance - Act 51 - current year receipts	N/A	FY07	-	16,966	-	16,966	70,547	-
Operating Assistance - Act 51 - current year accrual	N/A	FY07	-	24,016	-	24,016	(16,512)	-
Operating Assistance - Act 51 - FY07 grant	N/A	FY07	-	40,982	-	40,982	54,035	-
Operating Assistance - Act 51 - current year receipts	N/A	FY08	-	70,947	-	70,947	-	-
Operating Assistance - Act 51 - current year deferrals	N/A	FY08	-	(5,354)	-	(5,354)	-	-
Operating Assistance - Act 51 - FY07 grant	N/A	FY08	-	65,593	-	65,593	-	-
Total Operating Assistance - Act 51			10,400	138,871	-	138,871	54,035	-
Total				\$ 258,869	\$ 119,998	\$ 138,871	\$ -	\$ -

CITY OF BELDING

**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF STATE AND FEDERAL AWARDS (2A)**

FOR THE YEAR ENDED JUNE 30, 2008

	<u>7/1/07 to 9/30/2007</u>	<u>10/1/08 to 6/30/2008</u>	<u>Total</u>
Michigan Department of Transportation			
Formula operating assistance (Act 51) - FY04 audit payback	\$ -	\$ 4,368	\$ 4,368
Formula operating assistance (Act 51) - FY05 audit payback	-	(685)	(685)
Formula operating assistance (Act 51) - FY06 current year deferral	-	18,213	18,213
Formula operating assistance (Act 51) - FY07 current year receipts	16,966	-	16,966
Formula operating assistance (Act 51) - FY07 current year deferral	7,504	16,512	24,016
Formula operating assistance (Act 51) - FY08 current year receipts	-	70,947	70,947
Formula operating assistance (Act 51) - FY08 current year deferral	-	(5,354)	(5,354)
State portion of bus grant 02-0016/Z10	-	10,400	10,400
Total Michigan Department of Transportation	<u>24,470</u>	<u>114,401</u>	<u>138,871</u>
Federal grants			
Section 5311 grant 02-0016/Z7 - current year receipts	1,080	-	1,080
Section 5311 grant 07-0173/Z1 - current year receipts	7,586	10,571	18,157
Section 5311 grant 07-0173/Z1 - prior year accrual	(9,190)	-	(9,190)
Section 5311 grant 07-0173/Z1 - prior year accrual	-	4,310	4,310
Section 5311 grant 07-0173/Z2 - current year receipts	-	18,696	18,696
Section 5311 grant 07-0173/Z2 - current year accrual	-	9,896	9,896
RTAP funding	1,234	1,045	2,279
Section 5309 grant 02-0016/Z10 - communications grant	-	33,170	33,170
Section 5309 grant 02-0016/Z10 - bus grant	-	41,600	41,600
Total federal grants	<u>710</u>	<u>119,288</u>	<u>119,998</u>
Total	<u>\$ 25,180</u>	<u>\$ 233,689</u>	<u>\$ 258,869</u>

**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF STATE AND FEDERAL AWARDS (2B and 4R)**

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>10/1/06 to 6/30/2007</u>	<u>7/1/07 to 9/30/2007</u>	<u>Total</u>
Michigan Department of Transportation			
Formula operating assistance (Act 51) - FY03 audit payback	\$ 1,704	\$ -	\$ 1,704
Formula operating assistance (Act 51) - FY04 audit payback	4,368	-	4,368
Formula operating assistance (Act 51) - FY05 audit payback	3,929	-	3,929
Formula operating assistance (Act 51) - FY06 current year deferral	(18,213)	-	(18,213)
Formula operating assistance (Act 51) - FY07 current year receipts	70,547	16,966	87,513
Formula operating assistance (Act 51) - FY07 current year deferral	(16,512)	7,504	(9,008)
State portion of bus grant 02-0016/Z8	10,343	-	10,343
Total Michigan Department of Transportation	<u>56,166</u>	<u>24,470</u>	<u>80,636</u>
Federal grants			
Section 5311 FY 2004 reconciliation	2,045	-	2,045
Section 5311 grant 02-0016/Z7 - current year receipts	11,353	1,080	12,433
Section 5311 grant 07-0173/Z1 - current year receipts	17,460	7,586	25,046
Section 5311 grant 07-0173/Z1 - current year accrual (reversal)	9,190	(9,190)	-
RTAP funding	686	1,234	1,920
Section 5309 grant 02-0016/Z8 - bus grant	41,376	-	41,376
Total federal grants	<u>82,110</u>	<u>710</u>	<u>82,820</u>
Total	<u>\$ 138,276</u>	<u>\$ 25,180</u>	<u>\$ 163,456</u>

CITY OF BELDING

DIAL-A-RIDE TRANSIT FUND SCHEDULE OF OPERATING AND CONTRACT EXPENSES (3)

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Nonurban</u>	<u>JARC</u>	<u>Total System</u>
Operating expenses			
Labor			
Salaries and wages	\$ 83,969	\$ -	\$ 83,969
JARC contract	-	45,196	45,196
Fringe benefits	19,735	-	19,735
Services			
Other services	79,235		79,235
Materials and supplies			
Fuel	31,424	-	31,424
Other materials and supplies	23,777		23,777
Casualty and liability costs			
Insurance	4,412	-	4,412
Utilities	12,051	-	12,051
Depreciation	<u>47,312</u>	<u>-</u>	<u>47,312</u>
Total operating expenses	<u>\$ 301,915</u>	<u>\$ 45,196</u>	<u>\$ 347,111</u>

The methodology identified in the cost allocation plan approved by the Michigan Department of Transportation was followed for indirect costs included above in the services category. Employee benefits paid through the City internal service funds are also included in the services category.

The following cost allocation plans are utilized by the Dial-a-Ride:

- 1992 Overhead expense
- 2001 Administrative Cost allocation
- 2005 Sewer expense cost to actual
- 2006 Depreciation

CITY OF BELDING**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF OPERATING EXPENSE SPLIT
BETWEEN A JUNE 30 AND SEPTEMBER 30 YEAR END (3A)****FOR THE YEAR ENDED JUNE 30, 2008**

	<u>7/1/07 to</u> <u>9/30/2007</u>	<u>10/1/07 to</u> <u>6/30/2008</u>	<u>Total</u>
Expenses			
Labor	\$ 35,660	\$ 48,309	\$ 83,969
Job Access contract	17,980	27,216	45,196
Fringe benefits	5,193	14,542	19,735
Service	19,146	60,089	79,235
Materials and supplies	9,325	45,876	55,201
Casualty and liability costs	1,103	3,309	4,412
Utilities	1,683	10,368	12,051
Depreciation	11,828	35,484	47,312
Total expenses	<u>\$ 101,918</u>	<u>\$ 245,193</u>	<u>\$ 347,111</u>

**DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF OPERATING EXPENSE SPLIT
BETWEEN A JUNE 30 AND SEPTEMBER 30 YEAR END (3B)****FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>10/1/06 to</u> <u>6/30/2007</u>	<u>7/1/07 to</u> <u>9/30/2007</u>	<u>Total</u>
Expenses			
Labor	\$ 60,794	\$ 35,660	\$ 96,454
Job Access contract	21,406	17,980	39,386
Fringe benefits	14,426	5,193	19,619
Service	53,002	19,146	72,148
Materials and supplies	27,168	9,325	36,493
Casualty and liability costs	4,412	1,103	5,515
Utilities	7,928	1,683	9,611
Depreciation	33,533	11,828	45,361
Total expenses	<u>\$ 222,669</u>	<u>\$ 101,918</u>	<u>\$ 324,587</u>

CITY OF BELDING

DIAL-A-RIDE TRANSIT FUND SCHEDULE OF NONURBAN REGULAR SERVICE EXPENSES 4E

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Operating expenses				
Labor				
Salaries and wages	\$ 84,162	\$ -	\$ 12,292	\$ 96,454
Job Access contract	39,386	-	-	39,386
Fringe benefits	17,414	-	2,205	19,619
Services				
Other services	46,346	3,907	21,895	72,148
Materials and supplies				
Fuel	13,833	-	-	13,833
Other materials and supplies	16,311	6,060	289	22,660
Casualty and liability costs				
Insurance	5,515	-	-	5,515
Utilities	-	-	9,611	9,611
Depreciation	44,861	-	500	45,361
Total operating expenses	<u>\$ 267,828</u>	<u>\$ 9,967</u>	<u>\$ 46,792</u>	<u>324,587</u>
Ineligible expenses				
Ineligible depreciation	44,861	-	-	44,861
Job Access contract	39,386	-	-	39,386
Passenger assistance training provided	-	-	165	165
Ineligible portion of association dues	-	-	48	48
RTAP	-	-	2,353	2,353
Ineligible administrative expenses paid by capital contract 02-0016/Z8	-	-	409	409
Total ineligible expenses	<u>\$ 84,247</u>	<u>\$ -</u>	<u>\$ 2,975</u>	<u>87,222</u>
Total eligible expenses				<u>\$ 237,365</u>

CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND
OPERATING ASSISTANCE CALCULATION 5
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Nonurban</u>
State eligible expenses	
Labor	\$ 96,454
Job Access contract	39,386
Fringe benefits	19,619
Service	72,148
Materials and supplies	36,493
Casualty and liability costs	5,515
Utilities	9,611
Depreciation	<u>45,361</u>
Total expenses	<u>324,587</u>
Less ineligible expenses	
Depreciation	44,861
Job Access contract	39,386
Passenger assistance training	165
Association dues	48
admin exp paid by capital contract	409
Federal grants - RTAP	<u>2,353</u>
Total ineligible expenses	<u>87,222</u>
State eligible expenses	<u>\$ 237,365</u>
State operating assistance - 40.03%	<u>\$ 95,017</u>
Federal eligible expenses	
State eligible expenses	\$ 237,365
Less additional federal ineligible expenses	
Audit costs	<u>2,500</u>
Federal eligible expenses	<u>\$ 234,865</u>
Setion 5311 reimbursement (17%)	<u>\$ 39,927</u>

CITY OF BELDING
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF NONFINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Miles</u>	<u>Hours</u>
Demand response		
First quarter (7/1/07 to 9/30/07)	11,917	897
Second quarter (10/1/07 to 12/31/07)	13,125	1,154
Third quarter (1/1/08 to 3/31/08)	14,151	1,196
Fourth quarter (4/1/08 to 6/30/08)	<u>14,187</u>	<u>1,188</u>
Total	<u>53,380</u>	<u>4,435</u>

DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF NONFINANCIAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Miles</u>	<u>Hours</u>
Demand response		
First quarter (10/1/06 to 12/31/06)	13,371	962
Second quarter (1/1/07 to 3/31/07)	12,802	1,004
Third quarter (4/1/07 to 6/30/07)	12,244	991
Fourth quarter (7/1/07 to 9/30/07)	<u>11,917</u>	<u>897</u>
Total	<u>50,334</u>	<u>3,854</u>

The Methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

SINGLE AUDIT SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

August 20, 2008

Honorable Mayor and Members of the City Council
City of Belding, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Belding, Michigan, (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Orlando Haefner LLC



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 20, 2008

Honorable Mayor and Members of the City Council
City of Belding, Michigan

Compliance

We have audited the compliance of the City of Belding, Michigan, (the "City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Belding, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Orlando Haefner LLC

CITY OF BELDING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Grant Number	CFDA Number	Federal Expenditures
Department of Agriculture			
Rural Economic Development Loan Proceeds		10.766	\$ 1,393,419
Passed through Michigan Department of Natural Resources			
Volunteer Fire Assistance Program		10.664	1,155
U.S. Department of Transportation			
Passed through Michigan State Police			
Challenge Award Grant	PT-07-71	20.602	4,995
Federal Transit Administration			
Passed through Michigan Department of Transportation			
RTAP Training funds		20.509	2,279
Federal section 5311 operating	2002-0016/Z7	20.509	1,080
Federal section 5311 operating	2007-0173/Z1	20.509	13,277
Federal section 5311 operating	2007-0173/Z2	20.509	28,592
Federal section 5309 capital - bus	2002-0016/Z10	20.500	41,600
Federal section 5309 capital - communications equipment	2002-0016/Z10	20.500	33,170
Environmental Protection Agency			
Passed through Michigan Department of Environmental Quality			
State Clean Water/Drinking Water Revolving Fund Loan			
State Revolving Fund		66.458	277,543
Department of Housing and Urban Development			
Passed through Michigan State Housing Development Authority			
Land Assembly Grant	MSHDA 200624-CAT	14.228	10,000
Passed through Michigan Strategic Fund			
Sewer lift station upgrades	MSC 206005-ICE	14.228	475,475
Forcemain sewer separation	MSC 206006-ICE	14.228	500,110
Water Street lift station	MSC 205034-ICE	14.228	434,000
Total Expenditures of Federal Awards			<u>\$ 3,216,695</u>

Expenditures on the schedule of expenditures of federal awards may differ from expenditures in the financial statements due to assets being purchased with capital grants being capitalized and depreciated over the related asset's estimated useful lives.

The Michigan Department of Transportation (MDOT) acts as the agent of the Federal Highway Administration (FHWA) in the administration of federal funds provided to the City of Belding for the improvement of streets in the City. These funds total \$324,466 for the year ended June 30, 2008. MDOT, as the agency of FHWA, is responsible for controlling the receipts and disbursements related to these funds and also awards construction and in some instances, contracts for other services. The City receives interim and final accounting of receipts and disbursements for these projects from MDOT. Since all project administration is performed by MDOT, the above amount is not included in the City's schedule of expenditures of federal awards.

Rural Economic Development Loan Proceeds federal expenditures includes an amount of \$514,000 forwarded to the City by the USDA which was repaid in July, 2008.

CITY OF BELDING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified on basic financial statements		
Internal controls over financial reporting			
Material weaknesses identified?	<u> </u> yes	<u> X </u> no	
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	

Federal Awards

Internal control over major programs			
Material weaknesses identified?	<u> </u> yes	<u> X </u> no	
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported	
Type of auditors' report issued on compliance for major programs	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)?	<u> </u> yes	<u> X </u> no	

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.766	Rural Development Loan
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and B programs?	<u> \$300,000 </u>
Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted